FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW

JULY 1937

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The Editors.

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FOREIGN AFFAIRS

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ROUGH-HEW THEM HOW WE WILL

By Walter Lippmann

IN THE light of the discussion that preceded the adoption of the Neutrality Act of 1937, it might well be said that

> There's a divinity that shapes our ends,
> Rough-hew them how we will.

The new law is the outcome of a prolonged agitation conducted by men who believe that President Wilson's intervention in the World War was a ghastly mistake. They have held that no great national interest was served by the American intervention, and that the country was drawn into the war by a blundering and unneutral diplomacy, by the machinations of war profiteers, and by the insidious efficiency of the British propaganda. This thesis was developed in a Senatorial investigation in which public opinion was prepared for legislation on American neutrality. In that investigation the archives were ransacked in a determination to prove that from 1914 to 1917 the American people were bamboozled and seduced into declaring war because they had become financially, economically and morally entangled with the British Empire.

The avowed object of the new law is to prevent another such entanglement if the Great War breaks out again. Yet the heart of the Act is a provision which means that if Britain is again at war with Germany, only Britain and her allies will be able to supply themselves in the American market. Moreover, the Senators who are most thoroughly convinced that Mr. Wilson was entangled with Great Britain are the very ones who insisted most energetically that no American goods should be sold to a belligerent unless he pays cash and carries the goods away in his own ships. Many of them voted against the bill on the ground that it did not make the cash-and-carry principle mandatory. Now, obviously, if the World War is renewed, it is Britain and her allies who will

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have the cash and the capacity to carry. They are the rich nations. They control the gold production of the world. They possess most of the gold that is not already in this country. They have large foreign investments that are convertible into gold or its equivalent. They own or can charter merchant ships, and they are the masters of the Atlantic highways over which American goods would have to be carried to Europe. Germany and Italy are obviously short of cash, and even if they could buy American goods they could not carry them across the Atlantic. They are excluded from the American market in war time almost as effectively as if the American Navy supported the Allied blockade.

The new law was enacted under the sponsorship of President Wilson's critics. They believe that we were drawn into the World War because President Wilson permitted the war trade with Britain and did not effectively protect a war trade with Germany; yet they have enacted a law which in 1914 would have made it impossible for Americans to trade with any belligerent not under the protection of British sea power. Insisting that Mr. Wilson was unneutral because he did not break the British blockade of Germany, they have celebrated the twentieth anniversary of his mistake by imposing what is in effect an embargo against war trade with Germany and by establishing what is in essence an economic alliance with Britain and her partners.

II

We may well pause and ask ourselves whether the central paradox in this law is not much the most significant thing about it. For while there are subsidiary provisions in the Act which would seriously have handicapped the Allies in 1914, they are now unimportant when compared with the great fact that the Act recognizes the supremacy of British sea power in war time and that it connects the basic resources of America with the financial power of Britain and France. Thus it is true that the Act prohibits the export of munitions. In 1914 that would have been a fatal blow to the Western Allies. But with the development of a great munitions industry in the allied nations, this is no longer of decisive importance. The Act also prohibits various practices which caused diplomatic incidents in 1914–1917. But all these things are overshadowed by the fundamental decision of the American Congress to confine American war trade to the nations which have money and have ships and command the seas.

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What makes the decision so remarkable is that it is the outcome of untrammelled and unhurried popular debate. It is the work of a Congress responding to a deep feeling in the electorate that safeguards must be erected in advance against American entanglement in another world war. It must always be remembered that this bill was not sought by the Wilsonians in Washington or driven through Congress as an Administration measure. It is in fact one of the few measures of the past four years in which the initiative was in Congress, one of the few in which the procedure was that of a representative assembly deliberating. The sponsors of the bill were men who in the bottom of their hearts do not trust the State Department because they feel that it still carries on the Wilson tradition. It was the intention of Congress to follow the men who regard themselves as the heirs of the opposition to Wilson, of men who have criticized Wilson bitterly, who believe that he and his advisers were not neutral in thought or act, who reject sincerely and thoroughly the Wilsonian conception of collective action against a disturbance of the peace of the world.

Yet when they had examined the whole problem and had decided how they would express their convictions and their purposes in a law, they arrived at the conclusion that for the United States the only feasible and reasonably safe economic intercourse in a Great War is with Britain and her allies. Actions speak louder than the theories which happen to accompany them, and the conclusion is much more significant than the reasoning which is supposed to have led to it. Thus, if it is true in 1937, as the Neutrality Act proclaims, that American security is best protected by recognizing the relation between American resources on the one hand and of British sea power and British finance on the other, then there is a strong presumption that however much the Wilson diplomacy may have blundered twenty years ago, it blundered into the prescribed path of America's inescapable interest.

When men who meant to reverse Wilson because they distrust the connection with Britain come to the same fundamental conclusion that Wilson reached, there must be strong reason for thinking that there is some deeply pervasive connection between the power of Britain and the interests of the United States. This bill was not induced by the propaganda of Lord Northcliffe; it was written after a hostile inquisition into the war record of J. P. Morgan & Co.; none of its active promoters had anything but re-

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sentment against the personal predilections of Secretary Lansing and Ambassador Page. The public opinion which encouraged this legislation had been fed upon the testimony of the Nye Committee and the writings of Mr. Walter Millis and his school. But the upshot is a law which, in the event of a great war, integrates the American economy with British sea power and British finance.

Surely it is extraordinary that the critics of Wilson, House, Baker and Lansing should have started from antithetical premises, should have reasoned by wholly different processes, and should have come to the same ultimate conclusion. Twenty years later, by the deliberate act of his critics, the greatest decision of Wilson's life, the decision that the deepest American interest is somehow organically connected with Britain, is vindicated and ratified. It is as if some kind of overriding necessity, some deep necessity in the very nature of the world as it is, had compelled men to reinforce the British connection when they thought they were severing it.

III

Today, as twenty years ago, the American nation finds itself acting contrary to its explicit intentions. It would seem that somehow the logic of our conscious minds is not the logic that determines our behavior, and so, if we are to become aware of our real relationship to the outer world, we must reëxamine the theory on which we think we are acting.

The springs of our conscious theory are manifestly those of a people who have escaped from the bondage of Egypt and have entered the promised land. Because the American people are the descendants of emigrants from Europe, they define their freedom as isolation from the historic passions of their European ancestors. That this is the motive of the American isolationist philosophy is evident; for we do not invoke it with anything like the same determination in our relations with Asia or with South America. The entanglement that Americans resist is entanglement with Europe. What they really fear is not the costs of intervention in the quarrels of Europe but the intrusion of European quarrels into American affairs. Because political action in Europe divides the nation at home, the instinctive feeling of almost all Americans is to keep Europe at arm's length.

This feeling is a reflection of the historic fact that the American nation is still in the making, and that, as compared with the ten

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centuries of common experience in which the English nation has been fused, our one century and a half is a very short time indeed in which to solidify a nation. Among millions of American citizens ancestral ties are still strong, and every European quarrel puts American nationality under a severe strain. Thus we can confront the Asiatic peoples and the Latin Americans with a secure sense of national unity. But our dealings with European nations instantly raise issues which divide us at home.

For that reason it is not true to say that the philosophy of isolation is the selfishness and timidity of a people blessed with geographical security. The philosophy of isolation has its roots in the protective instincts of a people who cannot hope to fuse as a nation if they are not secure against the divisive passions of their European ancestors. The crucial problem of our foreign policy is how the American nation can satisfy this need for isolation from Europe within the circumstances of the actual world.

The traditional theory of American isolation is, of course, a rational effort to express the American need for isolation in terms of law and policy. But though the need is as great as ever it was, the traditional law and policies in which it is applied have proved unworkable in the past twenty-five years. We know that from Wilson's failure to stay out of the World War; we know it again from the action of the present Congress in renouncing the entire traditional conception of American neutrality. Something must be wrong with that conception, and we may well ask ourselves what is wrong with it.

IV

The traditional conception is that the United States can remain isolated from the quarrels of Europe by adhering strictly to the interpretation made by American jurists of the rules of international law that have been developed over a period of three hundred years. Professor Edwin Borchard is a learned and persuasive supporter of this view. He holds that the idea of neutrality is one of the great achievements of modern civilization and that we have been fools once, and will be fools again, not to make it the principle of our policy. He insists that the true neutral does not care who wins the war. As John Quincy Adams put it, the neutral "avoids all consideration of the merits of the contest." The right formula, says Mr. Borchard, is "two nations at war, and a third in friendship with both."

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That the formula fits perfectly the psychological needs of the American people is evident, and when there is no actual war in progress almost all Americans think they would like to follow it. Yet they did not follow it in the World War. They have just decided not to follow it if there is another world war. So while it may be that Professor Borchard is right and that we are badly advised to reject his advice, it may also be that his theory did not and does not work because he has misconceived the true character of modern great wars, and that the American people do not follow his teaching because they are unable to follow it.

My own view is that analysis will show that the traditional conception of neutrality is inapplicable to a great war, that is to say, to a war fought not for a limited objective in a localized area but for supremacy of power over the larger part of the earth's surface. The neutral who is "in friendship with both" nations at war must believe that it makes no vital difference to him whether one or the other wins the war. In respect to all sorts of small wars, it is easily possible to be neutral in this sense. The question is whether a principle which applies to a war between Bolivia and Paraguay is also valid in a war for the mastery of the world.

In seeking the answer to that question we must, I think, note at the outset that the idea of neutrality, as expounded by Professor Borchard, implies one of two assumptions. Either the neutrals are decisively more powerful than the belligerents or the neutrals are so delicately poised between the belligerents that they hold the balance of power. If the neutrals are greater powers than the belligerents they can, of course, localize the war. If they hold the balance of power, neither belligerent may dare to invade their neutrality. In both cases the circumstance which makes neutrality possible is the power of the neutral. For all neutrals are potential Belgiums when they lack the power to enforce their neutrality.

Now the theory of neutrality which crystallized in American minds during the nineteenth century was entertained in a world in which Great Britain exercised unchallenged supremacy over the principal maritime highways. It was assumed that in time of war Britain would be mistress of the seas, that her fleet would successfully bottle up the war in a relatively small area, and that beyond this war zone the maritime highways would be peacefully under British control. The theoretical questions raised by Americans against British maritime supremacy were essentially concerned with the attempt to persuade Great Britain to relax some-

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what her mastery of the seas, to exercise her dominion with a little more freedom for American commerce. But underneath all the controversies, the predominance of British sea power was not challenged. On the contrary it was tacitly assumed. The international world in which the American nation matured and conceived its national policy was a world in which Britain controlled the seas.

It was in such a world that we formulated and practised the philosophy of isolation. The invisible, the unexamined and unrecognized premise of American isolation has always been an international system in which naval power in British hands is predominant over all other military power. Our own foreign policy was fixed upon the assumption of that international system, and presupposes that system. Mr. Borchard's neutrality is a suitable policy within the framework of that international system. The whole conception of isolation, the inner meaning of self-determination among peoples, presupposes an international power so great that it can restrain all military conquerors. Such an international system existed in the century between Waterloo and the Marne, and all our preconceptions about world politics implicitly assume the continuation of some such system.

Thus when Americans speak of isolation and of being indifferent to the outcome of European wars they have already taken it for granted that there exists a power great enough to localize wars of aggression. In this situation the concept of neutrality can be made to work. But the concept itself rests on a deeper premise, on the tacit and unrealized assumption that the world as a whole will remain orderly under the final authority of sea power controlled by men who on the whole believe in the supremacy of law and in government by consent of the governed. Once that assumption is upset, once this pivotal organization of human power is seriously disrupted, the basis of neutrality and of isolation is destroyed. A fatal blow struck at the heart of the British power would not merely destroy the international unity of the Empire; it would mean the destruction of all international order as we have known it.

We have only to imagine our own position if the British supremacy were to collapse under an attack by Germany in the North Atlantic, by Italy in the Mediterranean, by Japan in the Western Pacific. Could we conceivably be indifferent to such a world-shaking catastrophe as that? With whom would we then

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discuss amiably the idea of naval parity? Would it be possible for us not to care about how the innumerable fragments of that great political organization were disposed of? We could not be indifferent. All that is familiar and taken for granted, like the air we breathe, would suddenly be drastically altered. A thousand relations to all parts of the world, so well established that we forget they exist, would suddenly be broken. The disruption of Austria-Hungary has changed the face of European politics. The disruption of the British Empire would have consequences so incomparably much greater that we cannot really imagine them. One might as well have asked a citizen of Rome in the time of Augustus to imagine Europe when the Roman power had disintegrated.

Thus, though it is no doubt written in the book of fate that Britain will no longer carry on alone the authority she exercised in the nineteenth century, it is also written in that book that our civilization is doomed to another dark age unless that authority can be perpetuated by peoples who intend to live by the same political tradition. There is no alternative — except a century or more of wars fought savagely and indecisively by peoples contending for world supremacy. Whether the power that Britain exercised in the nineteenth century is to be perpetuated through Geneva is a relatively minor question. The great question is whether a nation placed as we are, and desiring above all else to live and let live, can preserve its isolation if there is no power in the world which preserves the order of the world.

The answer to that question is, I am convinced, that we can and that we will stand aside only as long as we feel that there is no fatal challenge to the central power which makes for order in our world. Our unconscious wisdom is the deposit of a century of experience. In that century of American isolation an organic and inseverable connection was formed between the life of the American nation and an international order held together through supreme authority exercised by men who in great matters think as we do. We cannot break that connection. We could not break it in 1917. We have declared that we cannot break it in 1937. We shall not break it. In the final test, no matter what we wish now or now believe, though collaboration with Britain and her allies is difficult and often irritating, we shall protect that connection because in no other way can we fulfill our destiny.

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THE DESTRUCTION OF CAPITALISM IN GERMANY

By V

ON March 31, 1937, the Associated Press reported from Berlin that the German Government is preparing to give the German people "a new conception of property rights differing radically from the ideas of orthodox capitalism. In the new civil laws, now in process of codification, there will be no need and no room for abstract rights of property." Just what this will mean in practice remains to be seen. But in no case will it constitute a revolutionary change from what has been developing gradually through the years since 1933. To all intents and purposes Germany has long since ceased to be a capitalist country. "The capitalist system has been replaced by the National Socialist system which is borne along by an entirely different spirit and obeys entirely different intrinsic laws from those which control the capitalist economy." [1]

For years Fascist propaganda has offered Fascism as a safeguard and panacea against Communism; and Communism has exposed Fascism as its arch foe and antithesis. In fact, the world has never seen two supposedly hostile economic and social systems more alike in essentials, both of practice and ideology, than National Socialism and Communism. (The difference between the German and Italian brands of Fascism is a difference of degree, not of kind. The similarity between them is growing daily, owing in particular to their common aim of autarchy. In accomplishing that aim, Germany, the far stronger industrial Power, of course, takes the lead and Italy imitates; while Italy, being the older Fascist Power, sets the model for Germany in the administrative technique of dictatorship. But this is beyond the scope of this article.) To draw inferences from German developments regarding Russian developments, and vice versa, one must take into consideration the fact that the National Socialist régime has been in power for four years, the Soviets for almost twenty. It is of no avail, therefore, to compare institutions and policies developed in an advanced phase of a régime with institutions and policies created in the initial phase. The change in the social and economic fabric of the Soviets, say between the era

[1] Dr. Dietrich, Chief of Press of the National Socialist Party, in an address on January 28, 1936.

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of Lenin's New Economic Policy and the Second Five Year Plan now current, is certainly greater than the change from the Tsarist economy to the NEP.

The question to be gone into seems to be: How many, if any, of the essential features of what is known to the world as capitalism have survived and are to survive in Germany? The obvious answer is, of course, that private ownership of the means of production is after all still the rule in Germany. The same was true in Russia, an overwhelmingly agricultural nation, after many years of the Soviet régime, down to the collectivization of the farms and the "liquidation" of the kulaks. That private ownership of the means of production, even as a legal notion, is to undergo a far-reaching change in Germany is already officially announced; and no one familiar with National Socialist ideology has the slightest doubt that its exponents mean a radical change if they say so. But private property has long since ceased to be more than a mere legal form which has almost completely lost its content. The German industrialist has no more control over the means and ends of production than the German worker has over the conditions of his job, the German peasant over the products of the soil, the German tradesman and dealer over the goods he handles or their price to purchase and to sell, or the German banker over the creation and distribution of credit. All are under the complete direction and control of the State, the policy of which again is determined by the exigencies of its political and social aims in general and by the "Second Four Year Plan" in particular. Let us record the facts.

II

The basis of planned economy in Germany as well as in Russia is complete control of exports and imports. Not one carload, not one parcel, crosses the German border in either direction without the special permit of the Government. No German is even supposed to sell anything abroad without such a permit. Whether and when it is granted is not primarily a matter of market considerations. The German importer cannot buy where he gets the best quality at the lowest price; the German exporter cannot sell wherever he might find a competitive chance. An extremely elaborate system has been built up for the control of foreign exchange, and it tends to become more and more rigid.

As early as March 1934 the so-called *Ueberwachungsstellen*

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(Control Offices) were created, first to govern the importation of textiles, non-ferrous metals, rubber, etc., so that such imports might be reserved exclusively for military purposes. The control offices were authorized to fix quotas for purchases of raw materials and to limit inventories kept by manufacturers and dealers. The instrument of control was the assignment of foreign exchange. A few months later, at the end of June 1934, the Reichsbank proceeded to a system of apportioning *devisen*. This system was designed to secure the imports of raw materials necessary for armaments at the expense of imports of other raw materials. The Reichsbank created a scale of relative urgency governing imports. "Vital" imports were those required by armaments. They were assigned the necessary *devisen*. Non-vital imports, *i.e.*, those required "only" for the needs of the civilian population, were denied *devisen*. Gradually, the number of control offices was increased to several dozen, covering virtually all imports. By this means the State has assumed the responsibility for supplying all materials.

It could not stop, of course, at this point. In regulating the inflow of raw materials, the State had to regulate also their use. It had to see that they were consumed most economically; it had to assign certain quantities of raw materials to individual factories and at the same time prescribe what they should be made into. It had to prevent others from acquiring those materials for unnecessary purposes. It had to control inventories, to order genuine materials to be mixed with substitutes, and so on and so on. In other words, the import monopoly of the State leads inevitably to a system of complete control over the whole economic machinery.

The same is true of the control of exports. Since exports must at any cost be maintained in order to create the means of payment for necessary imports (part of which was required for non-economic purposes), exports must be subsidized; and since the greater part of German imports is derived from countries with exchange restrictions similar to Germany's own, exports must be directed to these countries, regardless of whether the individual transaction is profitable. By a system of ingenious devices, the price level of German exports is kept apart from the domestic price level. Exports are subsidized by premiums charged to imports. Restrictions of imports apply particularly to manufactured goods, while imports of foodstuffs and raw materials are

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favored. Raw materials are bought primarily from countries ready to take German exports as pay even if these raw materials are more expensive than others and of inferior quality. And, of course, all commodities, raw materials, semi-manufactured or manufactured goods that are scarce are subject to an export embargo.

III

The decisive feature of the capitalist system is the *price* created by the market. The essential difference between a capitalist and a planned socialist economy lies in this: whether the price system or a government agency determines the quantity and quality of production, the quantity and quality of capital investments, the quantity and quality of the goods distributed and consumed. The price system is the central motor which keeps the capitalist machinery going. The socialist planned economy substitutes for the free price the order of the Government. Goods are produced not because the market wants them but because the Government wants them. Capital is no longer invested because it promises a high profit, but because the investment has to put out goods ordered by the Government and placed by it in the category of the necessary or desirable. Individual incomes are no longer the outcome and reward of free economic activity; they are fixed at what the Government considers an adequate return for individual services rendered the community.

This principle has been adopted by the German Government to its fullest extent. By order of the "leader" of the "Reich's Group Banking" the word "profitableness" must no longer be used in bank reports. The price system has formally been put out of commission. By a Government decree of November 26, 1936, price increases have been generally prohibited, retroactive to the level of October 18, 1936. Henceforth every price must be approved by the "price commissar." The decree applies not to commodities only but also to rents and services of all kinds. The Government cannot afford to let prices be determined by the relation of demand and supply. Since the supply of a growing number of vital commodities is becoming scarcer and scarcer, prices would go skyrocketing. An unchecked rise in prices, however, would invite an inflationist catastrophe, for which the monetary conditions have been created for years by a rapidly growing deficit of the Reich's budget and a corresponding increase

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in public debts and bank deposits. Rigid control of prices is therefore the inescapable consequence of the financial policy imposed by the armament and work creation policy of the Reich.

But this is not the only motive for the elimination of the price system. The whole idea of "autarchizing" the Reich in food and basic raw materials is a force in the same direction. Synthetic rubber, oil, new spinning materials — these must be produced regardless of their cost in relation to the world prices of competing materials. If "buna" costs four times as much as natural rubber, then governmental and private consumers must pay what it costs. And competition must be eliminated. No one must be allowed to take advantage of the price difference. And after all, it does not matter so much if the army has to pay for tires or gasoline four times or more what they would cost in the United States. It remains a part of the general costs of armament to be covered by the same means as guns and airplanes.

It is not the object of this article to examine the practicability of such a policy or its consistency with the preceding general increase in agricultural prices and with the general cartellization of German industry which naturally tends to price increases. This system makes every price a political issue. It is up to the Government to favor or disfavor certain lines of production, to encourage or discourage certain groups of the population, to grant or to withdraw privileges according to the requirements of the State or to political expediency. It is exactly what has happened and is happening to the price system in Soviet Russia. It no longer has anything to do with capitalism.

IV

Since markets and prices no longer function, the Government has to pass on capital investments. Construction of all kinds requires a special governmental permit. Factories for certain products cannot be erected, for these products are designated as "unnecessary." The same rule applies to the extension of the existing plants or the enlargement of their capacity. New construction must also be approved according to a descending scale of urgency: (1) armaments; (2) food supply; (3) domestic raw material production; (4) promotion of exports; (5) housing, if materials and labor remain.

Restrictions apply equally to merchandizing. The opening of new retail stores is generally prohibited. No one is free to employ the

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little savings he may have to establish an independent life of his own unless, again, he is able to obtain a special permit. And, of course, there are restrictive laws against department stores and chain stores, which must not expand any more.

But it is not only in a negative way that the Government controls production. Certain types of construction and manufacturing are furthered and expanded by the State, such as all kinds of construction directed by the Government itself, armament factories, huge public buildings, including innumerable party buildings in every fair-sized city of the country, and motor highways. An example is the promotion of the automobile industry in order to stimulate the motorization of the country, by cutting the prices of automobiles, by tax privileges for purchase, replacement and maintenance of automobiles, etc. Another is the erection of new and rapidly growing national industrial plants for the manufacture of substitute materials. By direct and indirect means industry is being forced to build and expand plants for spinning materials, synthetic rubber, synthetic gasoline. The Government prescribes the amount of required capital investment, it apportions the amount that each member of the industry has to contribute, it guarantees in advance the sale of the product and the sale price. It forces manufacturers to use these new materials either exclusively or mixed with genuine material. It enforces the use of them either by direct decree or by making such use a prerequisite for government orders which naturally no one can do without.

The remaining "private sector" has thus gradually become negligible and is being reduced more and more every day. It has been estimated that the number of regulating decrees amount to a thousand a week, because more and more the Government has to proceed from general regulations to specific interference. If, for instance, steel or cement is short where the need is considered urgent, General Goering, in charge of the Four Year Plan, is free to take a supply away from anyone who has it.

The general cartellization of industry has its corollary in unrestricted rights of government supervision of cartels and interference in their management. The government may regulate the rights and duties of cartel members; any changes in the charter or the regulations of a cartel must have government approval. This interference goes so far as to prescribe the forms and methods of advertisement, the number of pages for newspapers, etc.

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It would again go beyond the scope of this article to describe the technique of administration required by this policy. It presupposes, of course, that literally everybody is a member of some organization that executes government orders — most people of several. As time goes on, these organizations are growing in number; and since all are based on the leadership principle, which invests unlimited power in each leader, it amounts almost to a miracle that the general confusion, the permanent counteracting of one authority by another, has not long since brought about complete chaos. But from time to time some new authority with dictatorial power is created in order to supersede another dictatorial authority which failed to get along with other dictatorial powers. Here specifically is the background of the rise of General Goering over Dr. Schacht in economic matters. Here, as always, general planning leads to a general jumble.

V

The mechanism of the capitalist system has not only been abolished in industry and trade. It has been even more thoroughly and consciously excluded from agriculture. Agriculture always held a central position in the philosophy of National Socialism. A metaphor of Herr Darré, the Minister of Agriculture, is worth preservation for posterity: "The peasant estate shall be the cornerstone of the State structure, because it is the motor of life and the source of blood renovation for the whole people." How anything can at one and the same time be a cornerstone, a motor and a source is about as mysterious as the *Weltanschauung* on which the remark is based. But it implies clearly that the agricultural policy of National Socialism is deeply rooted in the program of national defense and in social policies. Only that country is militarily free which can feed itself by products of its own soil.

The agricultural sector was planned earlier and more completely than the industrial. The so-called *Reichsnaehrstand* (nutrition estate) fixes prices for every product. It orders how much the farmer has to be paid for his wheat, how much the miller has to charge for milling, how much the bakery is allowed for baking, how much the grocer may add before he sells the bread to the consuming public. This applies to every kind of cereal, fodder, cattle and hogs, meat and fats, dairy products, fruits and vegetables. The execution of this planning is entrusted to so-called *Marktverbaenden* (marketing boards), which fix prices,

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regulate supply, and order the margin permitted to dealers and manufacturers. Every farmer is charged with the delivery of a certain quantity of his products, measured by his acreage and the number of livestock. Every farmer has to raise the crops the Government wishes, he has to use so much fertilizer of such quality as is apportioned to him, to plant the kinds of seeds the Government orders. He has to sell his products exclusively through those channels of trade which function as agents for the local authority, under prescribed terms. And he lives under the threat of being driven from his soil if it is considered that he is not complying with the political or economic standards set for him by the Government.

The corollary to regulation of production and trade is regulation of consumption wherever a shortage of supply requires a cut in consumption. The system was practiced generally during the war. It is now applied particularly to fats. Everybody in a town is assigned to a retailer from whom he is entitled to buy a limited quantity of butter, lard and other fatstuffs, if and when available. There have been days and weeks when fats could not be obtained at all or only in quantities of a quarter of a pound or so; then again in various places fats may become so plentiful that they may be bought without restrictions, while at the same time meat or eggs may be scarce. The dealer is assigned what he has to sell and the consumer has to buy what he is offered.

At the same time the Government tries to increase the supply of foodstuffs by every manner of means — by admonition and compulsion, by subsidies and by furnishing unpaid or almost unpaid labor. With all this, the farmers have been in a privileged position from the very beginning. They have enjoyed every favor the Government could bestow on them, and have possessed security as well. But of capitalism there is hardly any vestige left.

VI

Complete control of production and distribution requires equally complete control of money and credit. When the Hitler Government came into power, the German banks, with almost negligible exceptions, were already dominated by the Reich. In order to overcome the banking crisis of 1931, the Reichsbank had to acquire controlling majorities of all but one of the leading joint stock banks. Since the Reich owned and operated banks founded during the inflation period, and since almost all savings

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banks have always been owned by the municipalities, there was hardly any private sector in the credit system left. But it was the policy of the pre-Hitler governments to pretend that these banks were free from governmental interference. Although bank stocks were acquired by the Government there was little change in the management personnel, and the banks were not operating very differently than before.

The National Socialist Government, it is true, has sold out part of its holdings of bank stocks, but it has completely abandoned the pretence of non-interference. This applies first to the fixing of interest rates. The interest rates of all long-term debts of the Reich, states, and municipalities, and of mortgages, both agricultural and urban, have been forcibly reduced. The rates of interest the banks are allowed to pay their depositors, as also those which they have to charge their debtors, commercial or otherwise, are fixed by the Government.

All the financial resources of the nation are reserved for the needs of the Government. To this end, all new private issues of stocks and bonds are barred. No private issue is permitted except by special consent of the Government, and this consent is given almost exclusively for government purposes, *i.e.*, for corporations operating under the Four Year Plan that manufacture war materials or substitute raw materials. But the domination of the credit mechanism is not confined to negative measures. The banks are actually ordered to grant credits or to buy shares of such corporations as serve the purposes of the Government under terms decided by the Government. In many instances such credits or participations are guaranteed by the Reich. Apart from this, the banks invest their money in government bonds of various kinds, particularly in so-called work creation bills issued to pay the armament costs.

All banks receive direct instructions from the Reichsbank, which itself is a government agency. The Reichsbank is virtually the supreme central agency on which the execution of the whole plan depends. It is the Reichsbank which directs and controls the financing of all private business. Without the consent and interference of the Reichsbank virtually no major business transaction may be negotiated and concluded. It is no mere accident that Dr. Schacht as President of the Reichsbank exercised economic control long before he was appointed Minister of Economics. Not even the position of the Russian central bank

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offers anything comparable to the power and authority of the German Reichsbank.

VII

Along with the profit motive profits themselves are to a large extent eliminated. With prices and wages fixed, with raw materials apportioned, technical processes prescribed, trade channels assigned, volume of business dependent on government orders, the profit that eventually can be made is of course wholly arbitrary. And whatever profit may be made is subject to decided restrictions. First, taxes have been substantially increased, particularly the corporation tax; and the practice of the tax authorities has become vexatious, backed by draconic penalties (including the death penalty for infringements of exchange restrictions). Second, since the capital market is under the complete control of the Government, industry has to use the greater part of its earnings to finance new plants even when it realizes that they could not pay under normal conditions and will eventually have to be written off. Third, no corporation is permitted to distribute more than a 6 percent (in certain cases 8 percent) dividend. Profits exceeding this amount must be delivered to the Golddiskont Bank and invested in government bonds to be held in escrow for the stockholders over a period so far undefined.

It is but the logical conclusion of, and unavoidably consistent with, both the philosophy and practice of National Socialism that private contracts are no longer respected by the State, that any private contract is at any time subject to modification or termination by legal or administrative action of the Government. Whoever tries to arrive at a fair and well-balanced opinion of the German system must keep in mind especially this: There is no legal limit to government or party interference in the routine life of business any more than there is a Habeas Corpus Act for the protection of civil liberties. This kind of totalitarianism, every day and everywhere, goes far beyond the written regulations.

VIII

With capitalism gone, capitalist methods of dealing with labor have gone too. Strikes and lockouts are no longer permitted, attempts at strikes are treated as high treason. The trade unions have been dissolved, and thereby the instruments of collective bargaining. Collective bargains have been replaced by orders of

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the so-called Labor Front prescribing minimum conditions for wage fixing by the individual shop. Wages have been rigidly stabilized at the level of 1933, and are being kept there despite the rapidly rising cost of living and the substantial shortage of skilled labor. Freedom to move from place to place is suppressed in principle. As early as May 1934 the Reich Labor Office was instructed to prohibit migration of laborers to districts with substantial unemployment, or from agriculture into industry and commerce. Labor is apportioned to industry upon the same basis as raw materials. Metallurgical industries and agriculture must be provided with sufficient labor at sufficiently low wages. In order to prevent competitive wages, no employer may engage a metal worker from another employer or from outside his local district without special permit. And no metal worker may change one job for another without the local Labor Office's permit. And so on.

The administrative instrument is the "work book" which every employable person must obtain in order to find a job. These "work books" are special passports for workers and employees. They register the whole course of each individual's life. Thus an unfavorable remark in one may stigmatize a worker irrevocably. They are supposed to facilitate the task — as the law says — of putting the right man in the right place, of preventing overcrowding in crowded occupations, of stopping the migration of country people into towns, of stopping "illicit" jobs (*Schwarzarbeit*). This administrative device, like so many others, has been copied from Russia. The work book serves as a means of complete subjugation of every individual worker to the command of the Government, which is directed by the National Socialist Party.

Withdrawal of the work book amounts to the death penalty. It is a threat that makes every worker subservient to the will of the authority. By this threat, armies of workmen have for many months been transported from one part of the country to another like prisoners of war. If there are unemployed in the district of Magdeburg, for instance, and labor is needed in the district of Koenigsberg, labor is sent to Koenigsberg. The workers must leave behind their families, who are given 1 Mark (25 cents) a day. It is called *Arbeitseinsatz*, a military term which amounts to throwing troops to whatever part of the front they are needed. In an article published on September 19, 1936, in the *Frankfurter Volksblatt*, a director of a labor office explains it in this way (the translation is literal):

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"Arbeitseinsatz" means directing the nationally available labor to where national economy needs it. It is therefore not as though we had abandoned the word "labor market" — it has disappeared from all headlines and is used only colloquially because of habit — because the customary simile did not suit us any more. The notion itself has passed out because we think and act differently. "Market" means confusion. One is tempted to talk of a "free play of forces." "Einsatz" is conscious direction of existing currents. We have not assumed a new name for the old thing, we behave and act differently.

Here again the fundamental notions of the capitalist system are consciously decried and abandoned. In all fairness it must be said that this system increases the security of the individual worker almost as much as it restricts his liberties. No worker can be arbitrarily dismissed by his boss (though the party boss may of course order his dismissal at any time for real or pretended political reasons).

IX

The American reader of this article will probably have begun to wonder why the German people have stood for such a change in their economic and social system, why this change has not met with any decisive resistance from the bourgeoisie or the proletariat, or both. The simple answer is that to the average German the change does not appear anywhere near as revolutionary as it does to the Western world. In fact, the economic and social policy of National Socialism does not include a single feature not conceived or practiced in Germany in the past. The political philosophy and practice of National Socialism are exclusively the incarnation of familiar traits of German history. The German conception of capitalism was always essentially different from the Anglo-Saxon, because it was developed under an entirely different conception of state and government. Perhaps without the war it would have developed in the direction of a greater resemblance to the Western pattern of capitalist democracy. The war certainly terminated what seemed to be a very promising historical development. During the war a totalitarian régime was established for the first time. During the war the entire social and economic fabric was subjected to government regulation and interference. During the war whatever feeble elements of genuine economic liberalism might have come into being during the preceding decades were definitely eradicated.

What National Socialism builds up is war economy once more, but war economy on a Socialist ideological foundation. National

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Socialism is as genuine Socialism as it is genuine Nationalism. And this régime has inherited a full-fledged machinery from the improvised episode of democracy which struggled hopelessly for life from the hour of its birth in 1918. It was the democratic republican government in Germany that was already in control of the banks, the railroads, the power sources, the urban transit systems, the municipal gas and water, vast housing developments, and large parts of heavy industries. How many German industrialists were still independent of the Government in 1932, before Hitler came into power? How many could afford to arouse the ire of a determined government, to challenge it by refusing co-operation? Hardly a handful.

And the workers? Should German workers, brought up in Marxist ideology, in the pursuance of collectivist ideals, trained to demand public ownership, should they oppose a totalitarian régime which promised to complete what their own men had left undone? Could they fight for individual liberties on economic and social grounds? Hitler had only to reap where his foes had sown. Capitalism is lost where it is not built on liberalism and democracy. And liberalism and democracy are lost where they fail to convince the people of the necessity of capitalism as the only available economic safeguard of political, intellectual and spiritual freedom.

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THE FRONT POPULAIRE IN DIFFICULTIES

By Alexander Werth

THE "Front Populaire" Government of Léon Blum will be a year old by the time these words appear in print — which is already a respectable lifetime for any government of the Third Republic. And what a year! It came into office on June 4, 1936, a day when about a million workers were on strike, most of them "occupying" their places of work — factories, workshops, department stores. It was the greatest labor upheaval that France had ever known. The movement, which had been spreading like an epidemic since May 26, was partly revolutionary in character, but the economic motives behind it were more important still. The French working class had suffered severely from four years of economic depression, marked by falling wages, increasingly arbitrary labor conditions, and (despite the repatriation of several hundred thousand foreign workers) growing unemployment. In June 1936 came what amounted to a bloodless revolution. Not only were wages increased, but the whole economic and legal status of the French working class was profoundly modified. A further result was the establishment of a powerful trade union organization, which ever since has been playing, for better or for worse, an increasingly important rôle in French public life. The C.G.T. (Confédération Générale du Travail), which combined the old C.G.T. and the Communist C.G.T.U. (Confédération Générale du Travail Unitaire), had scarcely a million and a half members in May 1936. Soon after the great strikes the figure rose to nearly 5 millions. Thus, almost at a stroke, the French trade unions had to absorb some three and a half million new and undisciplined members, many of whom — for example those in the building trades — were extremists. Such a tremendous influx naturally created a shortage of trained union officials. The deficiency can be remedied only gradually as new leaders emerge and acquire experience.

The principal gains of the French working class were embodied in: (1) the "Matignon Agreement" of June 7 (which granted them complete freedom of trade union rights, the recognition by the employers of workers' delegates, a 12 percent increase in wages, the establishment of a minimum wage, and the principle of

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collective bargaining); and (2) the labor legislation passed during the subsequent weeks by an enthusiastic Chamber of Deputies and a terrified Senate. The most important of these laws were the Collective Contracts Act, the Holidays with Pay Act, and the 40-Hour-Week Act. Of the three, the 40-Hour Week Act, though the Government was given full freedom for its practical application, was considered by many observers the most dangerous of all. It actually went beyond the Front Populaire program, the official program of the government. This had provided only for "reduction in the time of work," without specifying 40 hours; and in May, before the great strikes, even M. Jouhaux, the trade union leader, still spoke of the 40-hour week in terms of international agreements to be negotiated at the International Labour Office in Geneva. Without the pressure of the strikes, this law, at any rate, would not have been passed.

Although the more conservative bourgeoisie, as well as the Senate, were horrified by the principal revolutionary feature of the great strikes — namely, the "stay-in" method — public opinion was, in the main, extremely sympathetic to the strike movement, for it was fully aware of the legitimate grievances of the French working class. With a sound instinct, the workers arranged to affect the ordinary man's everyday comforts as little as possible. Thus the strike did not spread to transport, gas, lighting, and the supply of food (except for one day of uncertainty), with the result that the general public scarcely felt the great strikes on their own skin. This greatest of French labor upheavals passed off with the minimum of unpleasantness, with much good humor, and without the loss of a single life.

Everywhere collective labor contracts were signed, and the summer of 1936 was marked by an unprecedented exodus to the sea and mountains of the working-class public, many of whom had never had a proper holiday in their lives. As for the 40-hour week, its application was delayed by the Government for the time being, and it was introduced for the first time (in coal mining) on September 25, the day of the devaluation of the franc.

September 25, 1936, was the day of the Three-Power Declaration and the devaluation of the franc. It marked the end of the first stage and the beginning of the second stage of the Blum Government's career. Until then "increased purchasing power" was the slogan of the Government, and, in particular, of M. Vincent Auriol, the Finance Minister. Until then, the Govern-

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ment had expected that economic prosperity could be revived simply by stimulating the internal market by means of higher wages and higher agricultural prices; and although innumerable observers (including practically all foreign observers) claimed that France could not pull through without a devaluation of the franc, M. Blum proclaimed from the outset that there would be "no monetary *coup d'état*," while M. Vincent Auriol was even more persistent in maintaining that there would be no devaluation. Afterwards he claimed that negotiations for the Three-Power Declaration had been in progress since June; though M. Blum at the same time admitted that "certain events" had precipitated the "alignment of currencies" (he never used the word "devaluation"). Doubtless the most important of the events alluded to by M. Blum was the necessity to increase the military expenditure enormously after Germany's decision to double the term of her military service.

The fact remains that, despite the opposite views held by a large number of ministers in the Blum Government, M. Vincent Auriol attempted at first to carry out his "New Deal" without devaluation. The truth is that he, like certain important trade union and Communist elements, was not unfavorable to a closed economic financial system, which they considered to be more favorable to anti-capitalist legislation and to a vast public works program. The drain of gold had again become acute in September, and had brought the already greatly reduced gold reserve to a figure below the "war-chest minimum" of 50 billion francs set by the French General Staff. That the Government decided on devaluation rather than on exchange control was at least partly due to international reasons, for the development of the closest possible relations with England and the United States was the fundamental feature of Premier Blum's foreign policy. Exchange control and autarchy in France would automatically have led to an estrangement with England. An almost identical situation was to arise again in March 1937.

So on September 25 (or rather on October 1, when the bills were finally voted) France at last decided on devaluation. Most foreign observers considered it at least a year overdue. The gold reserve had sunk from over 70 billion francs to under 50 billions between June 1935 and September 1936, which meant that the profit to be derived by the state from the revaluation of this gold was considerably smaller. Indeed, after setting aside 10 billions

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for the new exchange equalization fund, the Government had very little money left over to play with. At the same time the labor legislation of June and July had sent up French costs by some 30 percent, and these were increased still further by the rise in the prices of raw materials (to which was to be added their increased cost in francs after the devaluation); all of which meant that France's export trade would not greatly benefit from the devaluation.

Even so, after the abandonment of Vincent Auriol's pure "purchasing power policy" without devaluation — Caillaux had scathingly described it in July as "Rooseveltism for Lilliputians" — a feeling of renewed confidence and of relative optimism pervaded the country. The devaluation was followed by a spectacular rise on the Bourse, and the monetary reform itself, which successive governments with a singular incomprehension of public opinion had denounced in advance as a national disaster, was accepted with resignation and even with good grace by the general public. The prevalent feeling was that it might at last help to "improve business." It had a good psychological effect; and during the last three months of 1936 the signs of an economic *reprise* became increasingly tangible. The labor unrest of the summer months and the violent agitation of the extreme Left against Blum's non-intervention policy in Spain were visibly dying down; and the expulsion by the police of some stay-in strikers from a number of Paris hotels and restaurants on October 4 and, a few days later, from a chocolate factory, was calculated to appease the middle classes and the Senate, which had been protesting with great violence against the Government's "toleration of illegality." M. Blum's own view was that although stay-in strikes were illegal, they must be handled with discretion and without brutality. The working class, "so loyal to the Republic, might otherwise turn against it." Even so, he consented to make the required gesture.

During the last months of 1936 it looked as though France were steadily regaining her equilibrium as a democratic republic. The new year opened in an atmosphere of optimism, marred only by the Spanish Civil War. Business was improving; not for years had more champagne been consumed at Christmas in the Paris restaurants; even the grimmest enemies of the Government among the Paris bourgeoisie admitted that they were financially better off than they had been a year or six months earlier; and

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the newly-voted compulsory arbitration law promised to reduce labor disputes and strikes to a minimum. True, there were two big problems ahead: the financial problem, and the rise in prices and in the cost of living — a rise accentuated since the devaluation of the franc and since the growing generalization of the 40-hour week. But with business steadily improving, it was somehow assumed that if only the Treasury could bridge over the first three or four months, "prosperity" would help France through her financial difficulties. The optimists even assumed that by borrowing £40,000,000 in London in January, Vincent Auriol was safe. And yet the fact remained that the Treasury was faced with a deficit for the year of about 40 billion francs, or an amount almost equal to the whole "ordinary" budget; and it soon became clear to everybody that if Vincent Auriol borrowed his four billion francs in London, it was because he could not find them in Paris, where stories of a "new devaluation" were becoming more and more general.

M. Blum himself was aware of the danger. Already at St. Nazaire, on February 21, before a working-class audience, he asked for a "pause" — a pause in the execution of the Front Populaire program and in increases in the financial burdens of both the state and of private industry. The Government, he said, should be allowed to consolidate itself on the ground already conquered, though he added that "the Government would, as soon as possible, resume its work of social reforms in agreement with all the parties and organizations belonging to the Front Populaire." This was an assurance to the Radicals that nothing new would be undertaken without their consent. Despite this assurance the speech had a bad effect. The Right press found that M. Blum had spoken not as a responsible statesman but as a "100 percent Socialist," while the Communists, suspecting the beginning of a Government retreat, burst into a series of extremist speeches. Thorez, the Communist leader, who only a few weeks earlier had claimed a share in the credit for what the Government had done, now painted in a blustering speech at Lens a gloomy picture of the economic situation, spoke of the "terrifying rise in prices," and prophesied that "the mines, factories and banks would soon become the property of the people. We are convinced," he concluded, "that we shall soon govern this country." All these speeches resulted in a new slump on the Bourse; and on February 26 for the first time since the

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General Election the Opposition, led by M. Flandin and M. Reynaud, launched a triumphant frontal attack on the Government. M. Fernand-Laurent, the Right Wing deputy, caused a sensation by disclosing on the strength of financial reports from London that France had been losing a billion francs of gold a week. Vincent Auriol, the Finance Minister, mumbled an ambiguous denial. Blum himself looked tired and exhausted that night. He said that the country was "returning to economic health," and repeated the argument he used at Lyon on January 24 that, as distinct from England and Belgium, "economic restoration would precede and prepare, rather than follow, financial restoration." He declared the "pause" in the increase of public expenditure inevitable, and again assured the Radicals that nothing new would be undertaken without their consent. In conclusion, he declared the Blum Government to be the genuine "national government" of France, which, he said, was entitled to the coöperation of capital; and he ended on a note of warning: "I do not wish to think of the solutions that might be necessary if the Government fails to receive either from capital or from labor the support to which it is entitled." This meant that if the "sabotage" of capital continued, exchange control might become necessary.

"Capital" was not intimidated by this threat; and during the following days innumerable people in Paris — and not only big capitalists — bought all the dollar bills and pound notes they could lay their hands on. With the franc pegged to 105 to the pound, such "speculation" was a safe bet. Suddenly on March 4 there was a spectacular rally on the Bourse, which learned that the Government was about to take a number of momentous financial decisions. On the following day the cabinet met, and as a result of its decisions financial confidence was largely restored. The "demagogic" legislation of October 1 against "gold speculators" was to be abolished; the Government pledged itself to reduce the outstanding Treasury deficit for the year from 32 billions to 26 billions, which meant, above all, the shelving of the public works program. M. Rist, an orthodox economist, who had just proclaimed his hostility to the artificial creation of purchasing power through public works, was appointed a member of the new committee in charge of the exchange equalization fund; and it was decided to launch a 4½ percent *garantie de change* loan. All these measures were approved by Parliament during the following week, and the new loan, of which the first two *tranches*

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of 8 billions were subscribed in a few days, was a startling success.

As in September, international considerations had again determined Blum's choice between the exchange control he had threatened in his speech of February 26 and the "liberal" solution. A clear warning had been given that week by the British Treasury to the French Government that if it abandoned the Three-Power Declaration it would lose all the sympathy and coöperation of England. Blum yielded; and, indeed, more willingly than a few of the other members of his Cabinet. After the success of the loan he declared that France had never been in a stronger position and never had the outlook seemed more promising. Production was increasing, factories were crowded with orders (albeit mainly home orders), unemployment had fallen from 480,000 to 380,000, and partial unemployment, general a year before, had been completely absorbed. But it was at this point that serious trouble began to brew on the extreme Left. It is true that M. Jouhaux, the trade union leader, admitted rather grudgingly in an article in the newspaper *Vendredi* that "economic liberalism" should be given "its last chance." But he sounded rather skeptical about it all, and was visibly annoyed by the shelving of the public works program. More extreme Left elements in the C.G.T. and elsewhere felt all this even more strongly; and on the night of March 16 there happened something which became symbolic of this Left revolt against the Blum Government. It was the riot at Clichy, the Paris suburb, in the course of which five workmen were killed by police bullets and over a hundred demonstrators and a large number of police injured. M. Auffray, the left-wing Socialist mayor of the town, M. Honel, the Communist deputy, and M. Naile, a General Councillor, who had been competing among themselves in "Left-Wing extremism," had called on "the laboring masses" to hold a vast protest demonstration at Clichy on the night of March 16 against Colonel de La Rocque, whose troops, the poster said, were going to "occupy Clichy." And another poster had announced that La Rocque in person would be in Clichy that night, and that such a provocation to the working-class population was intolerable.

Actually, the "Fascist occupation" of Clichy consisted in a cinema show attended by 200 or 300 members of the Parti Social Français (the successor of the dissolved Croix de Feu) together with their wives and children. Since the meeting was authorized

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by the Government — for the P.S.F. was not illegal — it had to be protected by cordons of police. Hence the riot.

M. Blum, wearing full evening dress, was at the Opera that night listening to a concert of English music conducted by Sir Thomas Beecham. It was there that he learned that his secretary, M. Blumel, whom he had sent to Clichy to investigate, had been wounded by a police bullet while trying to restore order, and that the riot had taken on disastrous proportions. Blum was dumbfounded by the news. It is said that while he drove to the Clichy hospital to see the wounded — he arrived there in full evening dress which made a painful contrast with the bloodstained clothes and bandaged heads of the rioters — he kept murmuring: "And to think that they could have done this to *me*."

It was a shocking business. The optimism and financial confidence were suddenly checked. Clichy became symbolic of the revolt of the "Left Extremists." The cinema show attended by the Parti Social Français was obviously only a pretext. Two days after Clichy a six-hours general strike was held throughout the Paris area. It is said that some of the trade union leaders tried to prevent it, but in vain. In a way, it gave the extremists an opportunity to "let off steam," but the fact remained that it was a political strike, and one that was, indirectly, aimed against the Front Populaire Government. Already the crowds at Clichy had demonstrated against M. Dormoy, the Socialist Minister of the Interior, shouting: "*Dormoy, démission!*" On the night of the strike the Communist leaders held a meeting at which Thorez, though proclaiming the solidarity of the Front Populaire, nevertheless attacked the Government for its surrender to "the Banks," and said that "there had been too many governments of the Left pursuing a policy of the Right," and that "this must not be allowed in France under the Front Populaire."

Ever since Clichy there has been great uneasiness in France. The threat to hold up the Paris Exhibition has been a constant weapon of blackmail against the Government; while the building trade (which is, admittedly, the worst hit of the French trades) has been clamoring for a ten-billion franc loan with which to finance a vast public works program, despite Blum's "pause," his pledge to cut down the deficit by six billions, and the practical impossibility of raising such an amount. The argument is that the men who made the Exhibition will be out of work once it is finished. Actually, such methods are likely, in the long run, to

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cause the building trade more harm than good, for they can only discourage private enterprise from building houses. Apart from that, the workers of the Exhibition have not only been constantly demanding (and getting) higher wages, but they have also caused much irritation in Paris by flying revolutionary flags on the buildings of the Exhibition, which is admittedly a "national" and not a "working-class" institution. These flags have been fully exploited against the government by the Right press. Other "Exhibition blackmail" strikes have been threatened — for instance, a strike in the hotel, restaurant and café trade. And on April 16, despite the award by M. Mistler, the super-arbiter accepted by the workers themselves, a strike suddenly broke out in the Paris cinemas. Worse still, the Metal Workers' Union, affiliated with the C.G.T., has been claiming the right to control the enlistment of labor by the metal works; in other words, it desires an exclusive right to employ and dismiss workers.

The assumption is widely held, also, that it was not without C.G.T. pressure that legal action was taken, soon after Clichy, against Colonel de La Rocque and other leaders of the P.S.F., and there is a danger that, in the eyes of the middle classes, Colonel de La Rocque, whose importance had dwindled away almost to nothing since May 1936, may be resurrected as a hero and a victim of arbitrary and undemocratic action. The constant demands made by the C.G.T. on the government — such as the demand for the vast public works loan — take no account of *parliamentary* possibilities. In other words, the Left extremists no longer think in parliamentary, democratic terms.

If one were asked who these Left Extremists are, one would be a little baffled how to reply. Such extremism is a state of mind rather than a definite program of this or that organization. There are, of course, definitely extremist elements scattered through the Paris working class — Anarchists, Revolutionary Leninists (popularly known as "Trotskyists"), the Revolutionary Left of the Socialist Party itself (its leader is Marceau Pivert). But it is difficult to attribute the great importance which Left Extremism has recently acquired to anybody in particular. It is an attitude that exists among the rank and file of certain trades, *e.g.* the building trade; it exists in the offices of the C.G.T., where its proponents are far more extremist than the Communists. One hears a great deal of a Left Opposition in the making and of a Fourth International. All this is so far rather vague, even though

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the *Temps* recently drew up a whole catalogue of groups and organizations potentially belonging to the "Left Opposition."

But, as just remarked, this "Opposition" is a state of mind more than anything else — a state of mind that has existed from time immemorial in the Paris working class; that existed among the anarchists and syndicalists before the war; and which is again reflected in the present latent rebellion among certain working-class elements against the Blum Government. Like the Anarcho-Syndicalists of prewar trade unionism, this state of mind is hostile to bourgeois democracy (however progressive) and to normal, regulated relations between labor and capital. Much of this revolutionary temper is spontaneous, as were in June 1936 the two great strike waves which, at times, overwhelmed even the Communist leaders by their revolutionary temper. Trotsky was not altogether wrong on that occasion when he ridiculed Blum and Jouhaux for describing the great strikes as "professional" and "economic," and for trying to ignore or underrate the underlying revolutionary ferment. As things are today the tendencies evidenced in June 1936 cannot be ignored, and the Communist and most of the C.G.T. leaders find themselves obliged to play up to the extremists for fear of being denounced as the flunkeys of capital — or of Stalin — and so of losing even the nominal leadership of the working class.

How important the development of this Left Extremism will be, the next few months will show. A notable trade revival accompanying the Exhibition may conceivably lessen its influence; and the leaders, at any rate, if not certain elements in the rank and file, are aware of the growing unpopularity of the Paris working class among not only the upper but also the lower bourgeoisie, and among the defenders of the democratic traditions of the country represented by the Radical Party. The "blackmail of Parliament" by Left Wing extremists has some traits in common with the blackmail exercised by the Fascist elements in 1934. Each is obviously an anti-democratic force. This character of Left extremism may have the effect — as the Radicals are acutely aware — of not only breaking the Front Populaire but of driving the small bourgeoisie to the Right. Hitherto provincial France has still been much calmer than Paris, and provincial opinion, as the recent by-elections show, is still as Front Populaire as it was a year ago; but many observers already hold that the time is near when the break-up of the Front Populaire will be accepted by

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public opinion as an inevitable and even as a desirable change — whatever that change might bring. New financial difficulties loom large on the horizon, the problem of wages and prices, though less acute, is still present, and with the trade unions in their present state of mind, labor unrest and conflicts of a singularly "undemocratic" kind between Labor and the Government threaten to continue.

On the other hand, Blum early in May reaffirmed his determination to continue the "pause" in the realization of the Front Populaire's proposed reforms. He rejected Jouhaux's more extreme demands, among them the ten-billion franc public works program and the creation of a C.G.T. monopoly of the labor market. The labor truce effected for the duration of the Exposition has helped to restore confidence. On their part, the Left extremists seem to have become aware that they had gone too far; and for the time being at any rate they are less intransigent, thereby temporarily lessening the general tension.

A great question is how the working class would react should there be a change of government, should a more bourgeois coalition take the place of the Blum Cabinet. Will they submit, or will they rebel in the vain hope that a government even more to the Left may seize power, in accordance with the purely demagogic prophecies of Thorez? There is no parliamentary majority for such a government, and its establishment would mean a revolution. The prospect seems fantastic; for no one can run a revolution with at least four-fifths of the nation against it.

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A YEAR OF THE CANADIAN TRADE AGREEMENT

By Herbert Feis

THE Trade Agreement between the United States and Canada which became effective January 1, 1936, reversed a tariff policy that for a number of years had been curtailing commercial intercourse between the two countries. The essential features of this Agreement may be briefly outlined. Pledges were exchanged regarding the tariff principles to be applied in future to all trade between the two countries. Each promised to extend most-favored-nation treatment to the other's trade, that is to say, customs treatment equally favorable to that accorded any other foreign country. As a matter of fact, Canadian goods were entering the United States on these terms before the Agreement. Now, however, this favorable status is formally assured, for the Agreement automatically extends to Canadian goods any tariff reductions which the United States may make in subsequent trade agreements with other countries. Correspondingly, Canada guarantees that American goods will be charged the lowest rates imposed upon goods from any foreign nation. Previously, goods exported by the United States, alone among those coming from any important supplier of the Canadian market, had been subject to the highest general tariff rates.

Further, each country agreed to reduce the rates applicable to an extensive list of products regularly imported from the other. All of the many reductions made by the American Government represented changes in the general American tariff schedules, and the new rates are specifically set forth in the Agreement and "bound" against increase during its life. The Canadian tariff rates on imports from the United States were lowered in two ways. First, the Canadian intermediate tariff schedules were extended to all American products, in accordance with the most-favored-nation principle. Secondly, designated reductions of rates were made upon a selected list of products important in the American export trade with Canada. Furthermore, these reduced duties were bound against increase during the Agreement's life. However, neither the promise of most-favored-nation treatment nor

Author's Note: For the extensive statistical inquiry and analysis undertaken for this article, and for much assistance in other respects, I am indebted to my associate, Horace G. White, Jr.

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the pledge not to increase the Canadian rates applicable to specifically enumerated products is a safeguard against the grant of still lower preferential rates on the same commodities to the countries within the British Empire — a matter given new significance by the negotiation of a new accord between Canada and the United Kingdom in 1937.

The reciprocal pledge against increasing designated rates covers many dutiable products on which the rates are moderate and, most important, it guarantees continued free entry for many commodities. The assurance of entry free of duty applies to many Canadian commodities for which the United States has habitually been the principal outlet and which accounted for about half of Canada's total exports to the United States before the Trade Agreement was signed.[1] Similarly, the guarantee of continued free entry into Canada for such commodities as cotton, rough lumber, low-priced traction engines, hides and skins, and lemons, has genuine commercial importance for the United States.

In addition, the Canadian Government agreed to modify its use of arbitrary valuations in the application of *ad valorem* duties to American products. This practice had severely burdened American exports because of the resulting high level of rates and the uncertainty as to what these rates would be. The significance of these changes in valuation practice was brought out in the speech which the Canadian Prime Minister delivered regarding the Agreement: "Not less important than the visible and conspicuous reductions in the rates of duty applicable to imported goods . . . has been the elimination of the arbitrary and often invisible interference of governmental agencies in the normal course of trade. We have canceled scores of arbitrary valuations, limited the scope of the application of the dumping duty to the protection of legitimate and substantial domestic interests. . . ." Lastly, by a supplementary promise, the Canadian Government arranged to grant Canadian residents a $100 tourist allowance similar to that which the United States tariff accords returning American travellers.

In a world marked by intense nationalism and efforts to achieve national self-sufficiency, these tariff revisions are almost without contemporary parallel. How high, nevertheless, the tariff barriers which still remain would have appeared in earlier periods! In the

[1] *E.g.*, pulpwood, woodpulp, newsprint paper, crude asbestos, nickel, crude gypsum, undressed furs, and various kinds of fish.

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Reciprocity Agreement negotiated by President Taft in 1911, Canada and the United States each agreed to permit duty-free entry to almost all the principal agricultural products grown in the other country, except wool.

II

The course of trade from 1928 through 1936 between Canada and the United States, and between each of them and the rest of the world, is shown in the tables on the following page.[2]

The great decline alike in the total trade of the United States and of Canada, as well as in the trade between them, during the period 1929–1933, reflects both the depression and the obstructive effects of rising tariff barriers. It will be noted that the total export and import trade of the United States with the whole world fell more markedly between 1928 and 1933 than did the foreign trade of Canada; and that subsequently the relative rise in Canada's total exports has been greater than our own, while the rise in the total imports of the United States has been relatively greater.

By 1933 the trade between the two countries had fallen to the lowest level since 1910, and, measured by money value, was less than one-third of what it had been in 1928. The greatest relative decline was in American exports to Canada: from 17.1 percent of our total exports in 1928, they had fallen to 12.3 percent by 1933. During the same time the share of the United States in Canada's total imports dropped from 67.6 to 54.2 percent. This exceptional decline in American exports to Canada was not caused solely by the higher Canadian tariff or by the increased preferences resulting from the Ottawa and other Agreements. A substantial portion of American exports to Canada consists of the capital goods which are purchased during a period of rising industrial activity, and the semi-luxuries likewise bought when times are good. The

[2] To give the reader a complete and exact understanding of the statistical corrections and refinements of the original statistical material utilized in preparing these and subsequent tables, very lengthy annotated footnote explanations would be required. Rather than confuse the reader by giving a necessarily inadequate account, such annotations have been omitted entirely. Divergences will be observed between some of the totals given in the records of American trade as drawn from United States official statistics and those of Canadian trade as drawn from the Canadian official statistics. These result from at least a dozen separate differences in the scope and nature of the statistical material. Similarly, divergences will be observed between some of the figures given in these tables and some appearing in the subordinate tables presented further on. The reasons for these divergences are also many and complex. On the whole, the figures given in the subordinate tables are relatively exact in regard to the matters they cover. In dealing with specific questions it was possible to make certain adjustments which could not be made in the general tables without making the composite statistical impression more inexact.

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I. CANADIAN-AMERICAN TRADE

(In millions of U. S. dollars)

	1928	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*
U. S. Exports									
Exports of merchandise to Canada	862	902	628	378	228	198	287	308	369
Percent of increase over previous year							45.0	7.3	19.8
Total merchandise exports	5030	5157	3781	2378	1576	1647	2100	2243	2416
Percent of increase over previous year							27.6	7.0	7.5
Merchandise exports to Canada, calculated as percentage of total exports of U. S. merchandise	17.1	17.5	16.6	15.9	14.5	12.3	13.7	13.7	15.3
U. S. Imports									
Imports for consumption from Canada	489	503	402	266	174	185	227	286	378
Percent of increase over previous year							22.7	26.0	32.0
Total imports for consumption	4091	4399	3061	2091	1323	1450	1636	2039	2421
Percent of increase over previous year							13.0	24.6	18.9
Imports for consumption from Canada, calculated as percentage of total U. S. imports for consumption	11.8	11.5	13.1	12.7	13.1	12.8	13.9	14.0	15.6

II. CANADIAN-AMERICAN TRADE

(In millions of Canadian dollars)

	1928	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*
Canadian Exports									
Exports of produce to U. S.	492	523	396	257	163	171	223	266	340
Percent of increase over previous year							30.4	19.3	27.8
Total exports of produce	1350	1182	886	605	494	532	653	729	944
Percent of increase over previous year							22.7	11.6	29.5
Canadian produce exports to U. S., calculated as percentage of total exports of Canadian produce	36.4	44.3	44.7	42.5	33.0	32.1	34.2	36.5	36.0
Canadian Imports									
Imports for consumption from U. S.	826	894	654	394	264	217	294	312	370
Percent of increase over previous year							35.5	6.1	18.6
Total imports for consumption	1222	1299	1008	628	453	401	513	550	635
Percent of increase over previous year							27.9	7.2	15.5
Imports for consumption from U. S., calculated as percentage of total Canadian imports for consumption	67.6	68.6	64.8	62.7	58.3	54.3	57.2	56.7	58.3

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volume of American imports from Canada held up better than did American exports to the Dominion. Canada's share in our total imports rose from 11.8 percent in 1928 to 13.1 percent in 1933, though they represented a much reduced part of Canada's total exports. The trade that held up best was in products on the American free list, particularly pulpwood, woodpulp and newsprint.

Trade improvement between the two countries began in 1934 and has been continuous since then. The value of American merchandise exported to Canada rose from 198 million dollars in 1933 to 308 millions in 1935, reflecting Canada's general economic recovery. Similarly, our imports from Canada increased from 185 million dollars in 1933 to 287 millions in 1935 as a consequence not only of the improvement of economic conditions in the United States but also of the drought and the repeal of prohibition. Thus, before the Agreement went into effect at the beginning of 1936 the volume of trade in both directions had increased substantially from its low point in 1933.

III

The trade in each direction continued to increase during 1936, the first year of the Agreement. More significant, in so far as estimating the results of the Agreement is concerned, is the fact that during this year of world-wide commercial expansion the volume of trade between the two countries increased in greater ratio than did the volume of trade between either one of them and the rest of the world.

American exports to Canada in 1936 increased 19.8 percent over the previous year, whereas our total exports to all other countries rose only 5.8 percent. Similarly, in 1936 exports to Canada became 15.3 percent of our total export trade as compared with only 13.7 percent in 1934 and 1935. Furthermore, these American exports represented 58.3 percent of Canada's total imports. This was the highest share they had had (in the Canadian total) since 1931, though it was still much below the pre-depression level.

Our imports of Canadian merchandise rose 32 percent over the previous year and became 15.6 percent of our total imports, a notably greater part of the total than in any recent year. This increase was in about the same degree as the expansion of Canadian exports to the whole world. It may be added that these calcula-

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tions exclude large imports of gold from Canada, which may be regarded as a commodity movement.

Every feature of the record tends to show that the Trade Agreement made it possible for an increased volume of trade to move between the two countries and enabled each to participate more freely in the economic improvement occurring in both countries. Each became more important to the other as a market and as a source of supply for needed goods.

In order to understand more clearly the character and significance of this expansion in American-Canadian trade, let us examine it a little more in detail. In the following table American imports for consumption from Canada are divided according to their status under the Agreement:

III. UNITED STATES IMPORTS FROM CANADA

(In millions of U. S. dollars)

	1935	*1936*	*Increase in value, 1936 over 1935*	*Percentage of increase, 1936 over 1935*
1. Adjusted total U. S. imports for consumption from Canada, omitting special items not within field of this analysis (Items 2 and 5)	258.4	352.5	94.1	36
2. Total dutiable imports (Items 3 and 4)	108.3	173.5	65.2	60
3. Dutiable imports on which duty was reduced	37.3	67.0	29.7	80
4. Dutiable imports on which there was no duty reduction	71.1	106.5	35.4	50
5. Imports of commodities on free list (Items 6 and 7)	150.1	178.9	28.8	19
6. Bound on free list in Agreement	126.6	151.5	24.9	20
7. Items on free list not so bound	23.4	27.4	4.0	17

After excluding from computation certain trade movements of a special character, we find an increase of 94 million dollars in our total imports for consumption from Canada during 1936. Significant in indicating the effect of the Agreement in stimulating trade is the fact that while total American imports increased only 36 percent, those which entered under the reduced duty grew by 80 percent. This total is composed of increases in the importation of many different products. We must note, too, that whiskey (age not less than four years) was the largest single item: its importation from Canada rose in value from 14 million to 28.3 million dollars, the result of special and probably temporary circumstances.

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The significance of the duty reductions may seem somewhat lessened when it is noted that there was also a 50 percent increase in the importation of dutiable commodities on which rates had been left unchanged. This, however, is largely due to the increased imports of Canadian wheat, barley and rye. The trade in these three commodities, on which full and unchanged rates are paid, was stimulated by the drought. American imports of the three commodities rose during the year from 15.9 million dollars to 40.3 millions.

The increase of imports of commodities on the free list was only 19 percent — less than the increase in the case of dutiable commodities. Of the total free list imports, amounting to about 179 million dollars in 1936, 123 millions represented newsprint paper, woodpulp and pulpwood; in fact, the increase in these three items made up most of the total increase.

Much controversy in the United States has centered about the reduction of the American duty on certain agricultural and forest products, imports of which subsequently increased. The commodities most frequently mentioned are cattle, lumber, cheddar cheese, seed potatoes and maple sugar, as well as a few items bound on the free list, notably red cedar shingles and newsprint. To appraise the Agreement primarily by its effects on the domestic economic position of a few small sectors of American production is to fall into the error originally responsible for the dislocation of American foreign trade. However, a detailed record of the importation of these commodities in 1935 and 1936 holds special interest. It is given in the following table:

IV. AMERICAN IMPORTS OF CERTAIN CANADIAN COMMODITIES

(In millions of U. S. dollars)

	1935	*1936*	*Increase*
Cattle:			
700 lbs. or more each	3.6	7.2	3.6
Less than 175 lbs. each	(a)	0.8	—
Sawed boards, planks, deals and sawed timber (total)	8.6	13.2	4.6
Soft woods			
Douglas fir and Western hemlock	1.3	2.4	1.1
Spruce	3.6	5.9	2.3
Pine	2.1	2.3	0.2
Hardwoods	0.9	1.8	0.9
Cheddar cheese	0.1	1.5	1.4
Seed potatoes	0.1	0.7	0.6
Maple sugar	0.3	1.0	0.7
Red cedar shingles	7.4	6.1	−1.3

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	1935	*1936*	*Increase*
Newsprint	72.2	86.5	14.3
Woodpulp	22.8	27.2	4.4
Pulpwood	7.8	9.5	1.7

(a) No comparable figure for 1935 is available. Imports from Canada of all cattle weighing less than 700 lbs. decreased $75,000 (from $1,592,000 in 1935 to $1,517,000 in 1936).

Now, the duty was lowered on three classes of cattle, though the reduction was applicable only to limited quotas. There are not sufficiently differentiated statistics available for us to be able to make a precise comparison between the number of cattle in these three classes imported in 1936 and in 1935. Even so, the total number in the classes in question coming from Canada during 1936 amounted to less than 1.2 percent of the Federal-inspected slaughter. Total imports of cattle from all countries in that year (whether of the classes included in the Canadian Agreement or not) amounted to 399,209 head. On a live weight basis, this represented only 2.1 percent of the Federal-inspected slaughter. In 1935 total imports amounted to 364,623 head, representing approximately 2 percent of the slaughter for that year. There is not space here to go into lengthy discussions of the statistical bases for all of our statements. It can be asserted, however, that the increase in American cattle imports, while sufficient to improve the lot of Canadian producers, had no significant effect upon the total income of American cattle producers. On particular days and in particular markets the imports doubtless had a minor price effect. But the general decline in cattle prices during the spring of 1936 was due primarily to the heavy domestic marketing. In the second half of the year the price recovered. No industry is affected more directly by the general economic condition of the country than cattle raising.

About cream, all that need be said is that the milk equivalent of the actual imports was negligible. It amounted to less than 1 percent of the total fluid milk production in the North Atlantic States, where practically all the cream imported from Canada is marketed.

In the case of cheddar cheese, however, imports increased tremendously — from 730,000 to 10,870,000 pounds. This enlarged importation was nevertheless only about 2.2 percent of domestic production; in August, the month when the ratio of imports to domestic production was highest, it was 5.3 percent. What hap-

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pened was this. The rising consumption and the high prices prevailing at the end of 1935 both augmented domestic sales and attracted enlarged imports. First the price declined seasonally; then it recovered, notwithstanding the import movement in the summer months. The average annual price, which had been 14.3 cents in 1935, rose to 15.3 cents in 1936, while the gross income of the American producers of cheddar cheese rose from 67 million dollars to 75 million.

The case of maple sugar and maple syrup farmers cannot be discussed with the same statistical certainty. The duty was cut on maple sugar, but not on maple syrup. Maple sugar imports more than tripled (reaching almost a million dollars); maple syrup imports almost ceased. The combined imports of maple sugar and syrup equal about one-quarter of the domestic production. The combined domestic production of the two fell. It is uncertain whether the primary cause of the increased import movement was the duty reduction, or the coincidence of increased Canadian production of maple sugar at a period when the weather was unfavorable to the flow of sap in the American producing areas. The only published prices available ("Crops and Markets," Department of Agriculture) show the price to be virtually the same in 1936 as in 1935.

In regard to seed potatoes also, a summary statement must suffice. Imports increased substantially, approximating 6.6 percent of domestic production; the quota was almost filled. But these imports were attracted to an American market where the price of all potatoes was favorable. The domestic production of seed potatoes was greater than in any year except 1935, even though many American producers were led to sell their potatoes for consumption due to the exceptionally high prices which prevailed in the domestic market during the early part of the year.

Imported lumber from Canada must pay both tariff duty and import excise tax. The reductions made in the combined tax on certain species of Canadian softwoods and hardwoods left them still well protected; and in the case of Douglas fir and Western hemlock the amounts that could be imported were limited to about 5 percent of domestic consumption over the past few years (only half of this quota was filled in 1936). Here again our statement must be summary. During 1936 American lumber imports from Canada of both softwoods and hardwoods increased sub-

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stantially, and at a more rapid rate than domestic production. The total imports nevertheless remained only a minor fraction of the domestic production — about 2.4 percent in the case of Douglas fir and Western hemlock, less than 1 percent in the case of pine, and about 1.3 percent in the hardwood group. Spruce is the exception: imports are in a high ratio to American output, which has been declining since 1909, primarily because of the dwindling of our spruce resources. Higher prices, along with an expansion of domestic production, suggest that the income of the American lumber industry as a whole improved in 1936. The least that can be said is that it was not grievously injured by the enlarged imports. The availability of Canadian supplies at moderate prices can properly be looked upon as a useful stimulant to activity in the construction of houses. It should be observed also that the United States exports substantial quantities of hardwoods (and some softwoods) to Canada and other parts of the world.

Two forest products that were bound on the American free list by the Canadian Agreement have attracted special interest: red cedar shingles, and newsprint, woodpulp and pulpwood. In recent years we have imported from Canada a substantial part of our total supply of red cedar shingles: their quality is good and our domestic stands of higher-grade cedar are limited. In 1934, under the N. R. A., an agreement was worked out with the Canadian producers for limiting imports from Canada to 25 percent of our current consumption. The right to apply a similar limit was reserved under the Agreement. Total imports in 1936 were less than they had been in 1935. But in anticipation of heavy importation, legislation was passed which made the imposition of a quota mandatory for the first half of 1937. The limitation may prove to be unwisely rigid, judged by American requirements.

The retention of newsprint, woodpulp and pulpwood on the free list is primarily explained by our wish for cheap paper for printing and the comparative scarcity of our own supplies (although the development of Southern pine may be an important new factor). These items make up our largest single import from Canada. Since the turn of the century Canada has supplied an increasing proportion of the newsprint and pulpwood consumed in the United States. During the decade 1923–1933 the trend of newsprint and pulp prices was sharply downward; and with the great

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shrinkage of newsprint consumption after 1929, the earnings of the industry were cut severely. However, since 1933 prices have risen from $40 to $42.50 per ton (further increases to about $50 for 1938 contracts have been announced), and the combined output of the two countries has expanded substantially. Although the increase in production has taken place almost entirely in Canadian plants, the considerable American capital invested in the Canadian industry means that the fruits of this expansion have fallen on both sides of the border.

So much for Canadian imports into the United States. Let us now examine the situation in reverse. How has the Agreement affected American exports to Canada? The following table indicates the extent to which the increased American export movement consisted of goods on which Canadian duties were reduced.

V. CANADIAN IMPORTS OF AMERICAN MERCHANDISE
(In millions of Canadian dollars)

	1935	*1936*	*Increase of value, 1936 over 1935*	*Percentage of increase, 1936 over 1935*
Adjusted total Canadian imports, for consumption, of American merchandise.....	296.5	354.9	58.4	19.7
(a) Imports of commodities on which duty was reduced.....	119.5	155.7	36.2	30.2
(b) Imports of commodities on which duty was not reduced.....	177.0	199.2	22.2	12.5

As there was a 30.2 percent increase in imports entering under reduced duty and a 12.5 increase of all other imports from the United States, it seems reasonable to attribute a substantial part of this result to the Agreement. Canada's enlarged importation of American goods on which the duty had been reduced was distributed among all groups of commodities. Making up almost half the total were iron and steel products, which grew by 27.3 percent, reflecting not only duty reductions but also expanded Canadian demand for capital goods. The increase in the importation of American agricultural products on which duties had been reduced was 32.5 percent (16.1 million dollars in 1936 as compared with 12.2 millions in 1935).

The movement of American agricultural products to Canada has aroused considerable interest. It has therefore seemed worth while to elucidate the question in more statistical detail in the following table.

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VI. CANADIAN IMPORTS OF AMERICAN AGRICULTURAL AND NON-AGRICULTURAL PRODUCTS

(In millions of Canadian dollars)

	1935	1936	Increase in value, 1936 over 1935	Percentage of increase, 1936 over 1935
Adjusted total Canadian imports, for consumption, of American merchandise	296.5	354.9	58.4	19.7
(a) American agricultural products (vegetable and animal)	46.5	55.9	9.4	20.0
(b) American non-agricultural products	250.0	299.0	49.0	19.6

VII. CANADIAN IMPORTS OF AMERICAN AGRICULTURAL PRODUCTS

(In millions of Canadian dollars)

	1935	1936	Increase in value, 1936 over 1935	Percentage of increase, 1936 over 1935
Canadian imports of U. S. agricultural products on which duties were reduced	12.2	16.1	3.9	32.5
Canadian imports of U. S. agricultural products, tariff treatment of which was bound under the Agreement	18.7	23.5	4.8	25.6
Of which raw cotton and linters	15.2	19.0	3.8	25.3
Imports of American agricultural products not dealt with in the Agreement	15.4	15.2	−0.2	− 1.3
Total	46.3	54.8	8.5	18.4

Among the dutiable imports, oranges and other fresh fruits, tomatoes, lettuce and other fresh vegetables (with a total value of 2½ million dollars) accounted for the most important increases. Moderate expansion took place in fishery products and in fur and fur products. The enlarged Canadian imports of iron and steel products ranged all the way from heavy machinery (the increase of mining and metal-working machinery being particularly important) to minor manufactures, such as bolts and rivets. There was a moderate growth in the import of American automobiles, engines and parts; and the duty revisions caused some shift from the purchase of parts to the purchase of automobiles. Other imports which registered important increases were newspapers and periodicals, electrical apparatus, radio apparatus, cotton manufactures, glass and glass products, and particularly traction engines for farm use, on which the tariff rate was only bound, not reduced.

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IV

In the negotiations preceding the Agreement each country naturally sought to secure improved tariff treatment primarily for those of its commodities which it had reason to believe, judging by experience and competitive ability, it could sell in other country's markets. However, both countries extended the reduced rates to the trade of all other countries with which they have most-favored-nation relations.

The following table shows the extent to which the trade of other countries with the United States and Canada has grown in those particular products on which the duty was lowered by the Canadian-American Agreement (although other factors besides the Agreement were of course involved):

VIII. UNITED STATES AND CANADIAN IMPORTS OF PRODUCTS ON WHICH DUTIES WERE REDUCED

(In millions of U. S. dollars)

	1935	*1936*	*Percentage increase*
United States imports			
U. S. imports of commodities from Canada on which duties were reduced..	35.1	64.7	84.2
Same, excluding whiskey.....	21.1	36.4	72.4
Total U. S. imports of same commodities from all other countries (*i.e.*, excluding Canada).....	15.3	31.5	106.1
Same, excluding whiskey.....	3.1	4.1	32.3
Canadian imports			
Canadian imports of commodities from U. S. on which duty was reduced.....	119.5	155.7	30.3
Canadian imports of same commodities from all other countries (*i.e.*, excluding U. S.).....	94.3	109.4	16.1

This table shows that the reduction of duties facilitated not only the direct trade between the two countries, but also the trade of each with the outside world. There was greater expansion in our imports from the rest of the world of commodities unaffected by the Agreement, particularly free list commodities, than of commodities on which American duties were cut. This shows the extent to which the commodities selected for reduction were those primarily purchased from Canada.

That other countries should share somewhat in the enlarged trade created by the Agreement was, as already remarked, part of the original design of the negotiators. In international trade

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(as in domestic trade), those able to produce and sell more tend in general to buy more — a tendency much impeded, however, by contemporary restrictions. Further, each country expects its trade with the outside world to benefit reciprocally from the protection given by the rule of equality. It can be definitely asserted that the generalization of the reductions granted has not lessened the value of the Agreement to either country.

v

In this connection, some misgivings have arisen in the United States as a result of certain developments in Canada's commercial relations with other countries subsequent to the signature of the Agreement. The first such development was Canada's negotiation of a trade agreement and payments arrangement with Germany, effective in November 1936. This arrangement provided for the reciprocal grant of unconditional-most-favored-nation treatment in regard to customs duties. However, since Canadian exports to Germany had fallen decidedly below Canada's purchases of German goods — largely as a result of Germany's restrictions on the granting of exchange for the purchase of Canadian goods — the Canadian Government concluded a payments arrangement at the same time. Under the terms of this, the German Government becomes pledged to use all the proceeds from the sale of German goods in Canada for the purchase of Canadian goods; and further definite percentages of the available exchange are allocated to specified Canadian goods, among which wheat and apples are important.

This arrangement departs from the principle underlying the Canadian-American Agreement. It in fact represents an adjustment to the type of bilateral trade arrangement common in Europe today. It may put other countries, including the United States, at a competitive disadvantage in selling in Germany, especially because it designates particular Canadian commodities for which exchange is to be provided. Whether or not the Canadian-German Agreement will also work in the long run to affect the competitive position of American goods in the Canadian market unfavorably, as compared with German goods, is difficult to forecast. The recent decision of the Canadian Government to put the value of the mark for duty purposes at 32 cents instead of at the official rate of 40 cents may facilitate some such development. If the employment by Canada of this type of accord should

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adversely affect the American position in the Canadian market, the ultimate result would be to invalidate the basis of equality presumably underlying the Agreement.

Of greater moment was the new trade agreement negotiated between Canada and the United Kingdom in February 1937, representing a revision of the Ottawa Accord of 1932. This new agreement has important bearings on the course of American trade with Canada, the United Kingdom and other parts of the British Empire. It also may be indicative of the future course of imperial preference policy. There is little doubt that the British and Canadian Governments sincerely endeavored to safeguard and expand their trade relations in a way consonant with the general development of world trade. The terms of the Ottawa Accord of 1932 provided for widespread increases of tariff duties applicable to trade with the outside world. In contrast, the new 1937 agreement is aimed primarily at reducing duties between Great Britain and Canada, and does not increase the level of tariffs applicable to goods from elsewhere. Still, analysis shows that by enlarging many preferences, it does create new trade disadvantages for outside countries, including the United States.

The United Kingdom continued to guarantee a preferred place on the British market to many Canadian products, especially agricultural. This preference is embodied in a pledge to maintain the present free list on Canadian products, and a promise that the designated margin of preferences on 21 important items will not be lessened (*i. e.*, British duties applicable to these items coming from outside the Empire cannot be reduced). The 21 items include wheat, butter, copper, timber, apples and tobacco. The list was extended to include some items on which the preference had not hitherto been bound, and in the export of some of which the United States is interested. This list of assured preferences handicaps American products competing in Great Britain.

The Canadian Government in return lowered many of the duties in its preferential tariff applicable to British goods, and pledged itself to maintain many margins of preference. These duty reductions covered 179 tariff items. Among them were many on which American goods compete in the Canadian market, notably the manufactures of iron and steel, paper, textile and leather products, and machinery. In fact, during 1935 Canadian imports of these products from the United States amounted to over 28 million dollars (being 9 percent of total Canadian im-

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ports from this country), as compared with imports from the United Kingdom of $27,900,000 (24 percent of the imports from the United Kingdom). The increase of preference is likely to divert some Canadian trade from the United States to the United Kingdom, although experience indicates that in many of the fields in question American producers can overcome even a substantial preference. In selecting the items on which the margin of preference was enlarged, the Canadian Government made a definite effort to select commodities other than those dealt with in the Canadian-American Agreement. Yet it is to be noted that 21 of the items were specifically included in Schedule I of the Agreement with the United States, and that in 1935 Canadian imports of these 21 items were predominantly from the United States. Further, in the case of 7 of these 21 items, the new margin of preference is higher than before the Canadian-American Agreement, though only by small amounts.

By way of a potential offset, Canada regained its freedom of tariff action in regard to many products on which the margin of preference had been fixed under the original Ottawa Accord. The number of items so bound was reduced from 215 to 91. Nevertheless, among these are many products important in the American export trade to Canada, including iron and steel products, many types of machinery, chemicals, glass and anthracite coal.

Whether this accord will result in diverting or eliminating any substantial part of the American export trade to Canada, especially in items which figure in the Trade Agreement with the United States and for which counter-concessions were reckoned, events will decide better than conjecture. Certainly, if Canada wishes its trade relations with the outside world to continue to develop, it will have to restrict the extent to which it shapes its trade along Empire lines on the basis of preferential tariffs. The strength of the tendency in that direction in recent years is shown in the following table:

IX. SHARES OF BRITISH EMPIRE COUNTRIES AND OF FOREIGN COUNTRIES IN TOTAL CANADIAN IMPORTS AND EXPORTS, 1930–1936

	Percentage of Empire	*Total Imports Foreign*	*Percentage of Empire*	*Total Exports Foreign*
1936	30	70	51	49
1935	32	68	52	48
1934	31	69	51	49
1933	33	67	48	52
1930	23	77	36	64

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Nor is conjecture useful on the question of whether the new British-Canadian accord will turn out to be an unmanageable obstacle to the negotiation of a trade agreement between the United States and the United Kingdom. An opportunity undoubtedly exists to enlarge the trade between the United States and the different parts of the British Commonwealth. Even in 1936 this trade exceeded a half billion dollars in each direction, being roughly in balance. The decisive preferences which now stand in the way of the export of American agricultural products to the United Kingdom must certainly be a matter of serious concern to the negotiators; opportunity for American agricultural producers to enter British markets at no decisive disadvantage would appear to be a prerequisite to agreement. In any event, the modification of existing preferences will require agreement between the governments of the United Kingdom and the Dominions.

VI

This article has examined the trade results of the Canadian-American Agreement. Both Governments had in mind other aims aside from the stimulation of mutually profitable trade between their two countries. In their hopes the Agreement was but one step in a program of negotiation with the whole world for a general lowering of tariff barriers and the advancement of international economic coöperation and amity. Both Governments can proceed with other steps in accomplishing that general program reassured by a knowledge that the Canadian-American Agreement has had beneficial results.

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EUROPE VERSUS THE UNITED STATES IN LATIN AMERICA

By Gaston Nerval

GEOGRAPHY and economics, aided by time and the progress of industrial science, afford more than sufficient explanation for the change recently witnessed in the relationship of Latin America to its two magnets of political and economic attraction, a change involving a gradual drifting away from Europe in the direction of the United States. The arguments advanced by nature have recently received the support of an enlightened foreign policy on the part of the United States — a "good neighbor policy" which has succeeded in correcting many of the former errors and abuses of "dollar diplomacy" and "Yankee imperialism." To this have been added the help of a liberal commercial policy at Washington, resulting in the conclusion of reciprocal trade pacts between the United States and half of all the Latin American countries, and the development of air communications to such an extent that great physical distances between the two Americas have been drastically diminished.

As a matter of fact, the thing to be explained is why the change, under such unprecedentedly favorable circumstances, is not progressing at a faster pace. The recent Buenos Aires Conference for the Maintenance of Peace showed only too clearly that it indeed is not proceeding as rapidly as might be expected.

II

The factors working against the change are many, but three are outstanding: one, cultural or historical; two, political; and three, economic.

The cultural factor is recognizable at once by anyone familiar with the history of Latin America. The northern section of the American Continent was settled by religious émigrés and puritan pioneers eager to build a new world, different from, and freer and happier than, the old. The Spanish *conquistadores* — the very name is revealing — had no such dream. They had not set out to found a new world but to extend the old world and its civilization into new lands. Their discoveries and conquests were prompted by ambitions of mixed greed and glory which bound them inexorably

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to the old civilization they had carried across the ocean. Someone has written that the "three g's" of the *conquistadores* were gold, glory and gospel. But the gold they found they took back to Europe; the glory they reaped went to increase the prestige and pride of glorious sixteenth century Spain; and the gospel they preached was exclusively the gospel of the only religion Spain admitted. Thus the wealth, the culture and the religion of the colonies became inseparable from those of the mother country.

The links formed by the *conquistadores* still hold. The achievement of independence by the Latin American nations did not cause nearly so great a rift between them and European civilization as did in the North the success of the Revolutionary War of the thirteen English colonies. Through one whole century of independent life, the cultural heritage of the governing classes of Latin America has remained exclusively European, predominantly Spanish and French. Only in recent years have the younger generations expressed their longing for a more genuinely native civilization, and that vaguely and only at isolated points. The education, literature and arts of the present generation of Latin Americans — except in the minor instance of the Mexico-led revival of Indian art — are essentially European. And one could name few elements which bind people together more closely, unless it be religion; and here, too, the Latin Americans turn their eyes to Rome, that is, to Europe.

This historico-cultural factor is constantly being emphasized by two different active influences.

The first is, naturally enough, Hispanism, which plays upon the direct blood relationship between Spain and the young American republics. It appeals to "the religious devotion due to the mother country," to "the love every son owes to the parents who brought him into the world and nurtured him until he became of age," to "the invincible and almost mystical strength of the ethnical relation." It has powerful weapons, most powerful of all that of language. And it has three million conscious or unconscious agents, Spanish emigrants of this generation living and working in various parts of the former colonies.

The other tendency may be described as Latinism, of which there are two different brands.

From the Italian point of view, Latinism stresses the unity of all the peoples who were Latinized through Spain and so inherited the spirit and civilization of Rome. It appeals to their imagination

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by invoking Roman grandeur and Roman beauty, and it appeals to their hearts by means of the Catholic faith.

From the French viewpoint, Latinism implies the spiritual and cultural leadership of France, visible head of the Latin world and privileged heir of the spirit of the Latin races. It proclaims, with much reason, the ideological affinity between France and the republics, "daughters of the French Revolution," and it emphasizes the intellectual rule of French culture, until now undisputed, over the educated classes of Latin America. In recent years, France has had an added ally in the League of Nations, which carried to far off corners of the world the French ideal of the organization of international peace. But here we come upon the political factor which has also operated to oppose any alteration in the Latin American relationship to Europe.

III

Probably nowhere else in the world was the creation of a League of Nations received with such genuine enthusiasm as in Latin America. Latin American statesmen had been clamoring ever since their countries achieved independence for some sort of an international organization which would subject the relations of states to the same standards of morality as those ruling the relations of individuals within a civilized community. Bolivar, the South American liberator, has often been mentioned as the first modern pioneer of the organization of peace, and for over a century the Bolivarian dream has been the highest goal of Latin American political thought. But even had it not been so, even had the idea of a society of nations been entirely alien to them, Latin Americans could not have failed to recognize the value of the guarantees such a society promised to countries of modest military strength.

It is because they did recognize those advantages, and because they did see in the establishment of the Geneva institution a partial even though imperfect fulfillment of their hopes, that the statesmen of Latin America hastened to give their adherence to the League of Nations and have been, ever since, among its staunchest supporters. There also was another reason why they welcomed the appearance of the League. It gave their countries the first opportunity to sit permanently side-by-side with the Great Powers and to participate, if only as theoretical equals, in the councils of the world. Latin American statesmen have occu-

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pied, and still occupy, important positions in the League organization. The last assembly was presided over by the Argentine Minister of Foreign Affairs. The strength of these links between Latin America and Geneva was recently shown conclusively by the zeal — the successful zeal — with which they were defended at the Buenos Aires Conference. There is significance in the fact that all projects suspected of being incompatible with League obligations were decisively defeated.

The League of Nations is indeed a solid transatlantic bridge between Europe and Latin America. So solid a structure is it, in fact, that not even the recent setbacks suffered by the Geneva organization have undermined it. Alarmist reports that Latin America was "through" with the League, which followed the refusal of certain South American governments to apply full economic sanctions against Italy in the Ethiopian imbroglio, were, to use two famous words, "greatly exaggerated."

The Latin American countries which insisted on carrying on their trade with Italy did not desert the League. What certain ones — but only a few — did make clear was that they doubted whether the League was able or even willing to enforce the boycott decreed against Fascist Italy. Observing past performances, and weighing all the contemporary circumstances, they had become skeptical as to the sincerity of the chief elements in the League which demanded a united front to make the world safe for peace. They pointed out that time and again in the past, when other imperialistic ambitions made a mockery of Geneva principles, the Powers which control the League remained unmoved. They stressed the fact that this time the same Powers were seeking action only because the desire for peace happened to coincide with their own material interests. They argued, too, that even now the economic sanctions had been approved only half-heartedly, and that while Italy was being publicly condemned and officially denied arms and credits she was still being supplied with oil by the Anglo-Persian Company and with various essentials of war by other concerns owned or controlled by nations technically her opponents.

Under these circumstances, Latin American statesmen who questioned the League's sincerity announced that they would abstain from boycotting Italy until their doubts had been cleared up and the League had proven that it was willing to risk a major European war to enforce its sanctions. Of course, even in the

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event that the League did go all the way in stopping Italy by means of war it might still be alleged to be acting primarily to protect the *status quo*, *i.e.* to protect the interests of the Great Powers controlling it. But this argument would not have impressed the Latin Americans if once they had seen that the gentlemen at Geneva "meant business."

The Latin American governments may have outgrown some of their first romantic enthusiasm for the idealism of the League in view of its preoccupation with preserving the *status quo*. But they have nothing to gain from an alteration of the *status quo*, and they probably would have been found on the side of its supporters if a showdown had come. What some of them refused to do was to make possibly useless sacrifices until the League itself had demonstrated its sincerity in outlawing Italy and until it had shown the extent to which it was willing to go in enforcing its judgment.

If the League actually undertook to punish an aggressor there could be no real question as to where lay the interests of the Latin American governments. Not merely as a matter of tradition and principle — and there is a strong Latin American tradition for peace and for the advancement of international law — but, pragmatically speaking, as a means of insuring their own safety in future contingencies, the Latin American nations would align themselves against the "outlaw." They would do so, however, not so much in the belief that they were contributing to make the world safe for democracy, as in the confidence that out of the struggle there would emerge a stronger instrumentality for the preservation of peace. And even though this instrumentality might now be, and might continue to be for some time, the servant primarily of the interests of the great European Powers, it could not fail also to aid indirectly the interests of small countries elsewhere. For these can live and prosper only under a régime of law and peace.

IV

So much for the political factor working against a change in the relationship of Latin America with Europe. There is also an economic factor. Here it should suffice to recall that, in spite of the tremendous growth of inter-American trade since the World War, Great Britain is still the leading customer of various republics of South America, and that Germany, Italy, France and other European Powers are all the time increasing their purchases in

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that continent. Pages of figures and trade statistics could be filled; but they would not give a better picture of the actual situation than the criticisms recently made by Latin American statesmen over the suggestion that plans be laid for a continental embargo on all trade with European nations at war. The proposal, much discussed in the press of the United States in advance of the Buenos Aires Conference, was that the twenty Latin American republics join with the United States in preventing any European Power which became involved in war from having access to the raw materials of the Americas.

The Latin American nations had several questions to ask in this connection. How could the United States expect that these countries, which practically live by the export of their raw materials (most of them primarily of one or two main products), would stop their sales to European nations, in many cases their best customers, the moment these became engaged in war? Who in that case would buy their exportable surplus? Would the United States be willing to make up for the losses thus sustained? Would she add to the agricultural surpluses of her own which would pile up in case of a European war, by taking over the unsold Latin American stocks?

These questions ended all talk at Buenos Aires of the possibility of a continental embargo. The repetition of them reveals, more eloquently than any statistical table, the strength and scope of the economic ties linking Latin America to Europe. They furthermore explain why the United States delegation to Buenos Aires never took the suggestion of a continental embargo seriously, and limited itself to proposing partial embargoes affecting only American countries engaged in American wars.

V

Such are the major factors working against a drastic reorientation of Latin America in world politics. They would not be able, left to themselves, to overcome the slow but persistent influences operating in the other direction — towards closer ties with the United States. Time would seem to be on that side. In the long run, geography, scientific economics and closer physical contacts seem bound to prove stronger than history, tradition and contemporary political and economic ties.

But recently a new and dangerous element has been introduced into the picture. Other factors have retarded the pace of Latin

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American reorientation in the world; but this new factor is potentially capable of defeating that process *in toto*, perhaps forever.

The Spanish Ambassador to Washington, Don Fernando de los Ríos, alluded to it in forceful terms recently, when he spoke of the "extraordinary consequences, politically, culturally and commercially" which would follow the enthronement of Fascism in his country. "If the Spanish Rebels succeed," explained this scholar-diplomat, a lifelong student and professor of social and political sciences, "Spain will no longer be a leader in the Spanish-speaking world. Instead she will be led, mainly by Germany but also by Italy, and she will lose her autonomous character. Germany will then be the leader of the Spanish, Italian and German minorities in South America. And the chief nations in Europe able to provide large population groups for transplantation to other continents are Italy, Germany and Spain."

This warning cannot be emphasized too strongly. The vital connection existing in the political history of Spain and Latin America, and the inevitable echo which every social movement in Spain has in Hispanic America, must always be kept in mind, and now more than ever. Spanish Fascism, abetted and supported by Berlin and Rome, would not take long to cross the ocean. Nor is Fascism interested merely in the exportation of ideas. Fascist propaganda and penetration are, by their very nature, for political and economic ends. It is no mere coincidence that the Fascist Powers of the world are precisely the expansionist Powers.

Unfortunately, the danger is not confined to the possibility of a Fascist victory in Spain. Already the two autocratic Powers of Europe have started missionary work in South America, along both political and economic lines. Control of Spain would be an invaluable and probably a decisive weapon in the hands of Mussolini and Hitler; but they are not waiting for that to spread their nets across the South Atlantic. Newspaper readers have for some time been familiar with reports of economic concessions, commercial deals and publicity campaigns undertaken by German and Italian interests throughout the length and breadth of the South American continent.

In one American newspaper on a recent Sunday could be found four suggestive items. One dispatch, dated in Berlin, announced that "negotiations are now in progress which are expected to lead to control of the principal iron ore mines in Brazil by Germany." It went on to explain that the Third Reich, which is

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particularly in need of iron ore and depends upon foreign countries for 80 percent or more of this raw material, suffers from a shortage due to increased prices and British competition in Sweden and elsewhere, and that this has prompted the German decision to attempt to secure control of the Brazilian mines. Another cable, from Rome, outlined a South American tour of an Italian mission which would endeavor "to consolidate recent gains in Italian trade with Argentina, Chile and other Latin American countries and to promote a cultural interchange with those countries." The story recalled the fact that as part of this cultural program the Italian Government grants cash prizes annually to the best literary works of various South American nations, though it failed to point out the Fascist implications of any intellectual interchange with a regimented and censored "kultur." Germany, too, is interested in educational activities in that part of the world, as may be seen by the recent trips of large groups of Chilean engineering students to the most important scientific and industrial institutions of the Third Reich at the expense of the "Akademischer Austauch" of Berlin, and the invitations for similar trips tendered to students of other Southern republics. Another report, this one from Bogota, advised that the Colombian Government had begun the study of a new commercial pact with Germany which was intended to increase trade between the two countries by introducing the element of barter for a number of Colombian products, *e.g.* coffee, platinum and oil were to be exchanged for German manufactured goods. The last of the four dispatches mentioned came from Rio de Janeiro and told of a plan submitted to the Brazilian Foreign Trade Board by Gustav Schlotterer in the name of the German Government for the piling up of huge reserves of Brazilian raw materials in convenient places in Germany, so that they might be immediately available in case of war. The correspondent added, significantly, that in the past three years Germany has taken the place of the United States as Brazil's best customer.

These are only random instances taken from one edition of a daily paper. They tell the story. But even more eloquent is the recent experience of a South American government which inquired through its diplomatic missions abroad as to the terms and conditions under which foreign governments might be willing to supply certain technical teachers. Most of the replies were disheartening. The terms asked were prohibitive: high salaries, cash

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payments in foreign moneys, special guarantees, vacations at home, etc. But Rome and Berlin answered in different vein: Italian and German teachers, it seemed, were available at almost any price. Italians finally were engaged. They were to receive the same salary as nationals of the country involved, collect it in the depreciated currency of that country, have no special advantages of any kind, and would receive their original travelling expenses from the Italian Government. At the same time the Italian authorities offered such splendid terms for the instruction of the young army pilots of the South American country in question that, soon after the hired Italian teachers had arrived, a contingent of native air-minded officers left for Italy, to pursue their studies there at a cost only slightly higher than would have been the cost of their training at home.

VI

The sad thing is that the United States, the one country apart from the South American nations themselves which ultimately will suffer most from the establishment of these new and dangerous bonds, is taking absolutely no preventive measures. On the contrary, the so-called "Neutrality policy" just adopted by Congress — placing a permanent embargo on arms, munitions and essential war materials and imposing restrictions and limitations upon all trade in commodities and raw materials with warring nations — carries serious implications for the future course of Latin American relations with Europe and the United States.

In the first place, the fear of a strict embargo on war materials will tend to make Latin American governments turn from the United States to European sources of supply for the equipment and replenishment of their stocks of arms. Knowing that in wartime the United States will no longer provide them with weapons of defense, they will start in time of peace to look for new and more permanent bases of supply. There is a real danger that, given the limited financial capacity of many of the present Latin American régimes, the European Powers may exact concessions and privileges from them in exchange for military weapons. These concessions may be of great domestic importance. When the rôle of the United States, a democratic and, today at least, non-imperialist nation shall have been taken over by European Powers ruled by confessedly anti-democratic ideologies and sorely

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in need of the raw materials which abound in the Southern continent, the consequences may be highly dangerous.

What, too, if a state of war should occur between two or more Latin American countries? In view of the embargo on United States arms, some European Power or combination of European Powers could determine the outcome of the conflict by discriminating in the sale of the implements of war. Obviously, favors thus given would demand their reward when the war was over. The same sort of thing might be feared, and perhaps with even greater reason, about a civil war in any of the large Latin American states. Reference is not made here to a simple *coup d'état* of the type so well known in that part of the globe, but to a real internal struggle in which groups were fighting bitterly over sharply conflicting ideologies. If the arms factories and the ports of the United States were closed, again the European Powers could decide the outcome of the strife by providing the faction which they wished to see win with the material elements of victory. And conceivably any Southern republic might thus be converted into another Spain.

But the worst, because the most immediate, effect of the Neutrality Act will be to accelerate the pace at which some European Powers will want to assure themselves of permanent sources of supply of raw materials essential for war and for the subsistence of their civil populations in time of war. The limitations and difficulties placed in advance upon the acquisition of such materials in the United States will naturally cause the European nations to turn elsewhere. They will ask the Latin American countries to enter into far-reaching agreements to insure regular supplies. Here, again, it so happens that the European nations most in need of such raw materials are precisely the Fascist nations.

Now the Fascist Powers are just beginning to learn the advantages of concerted action. On the day they have mastered their new technique there will arise across the seas another "Holy Alliance" — much more energetic and much more dangerous than the one which disturbed the sleep of James Monroe and John Quincy Adams more than a hundred years ago. If the people of the United States realized the far-reaching implications of this threat, not only in connection with the ultimate success of Pan Americanism but with regard to their own interests, actually even their own safety, they might cease deceiving themselves with the illusion of blissful isolation.

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TRIBULATIONS OF EMPIRE: THE MEDITERRANEAN PROBLEM

By William L. Langer

TWO years ago the British and the Italians were on the very verge of conflict in the Mediterranean and in the course of the past twelve-month the situation in that sea has been thrown into utter confusion by the Spanish civil war. Anyone who tried to make predictions for the future would obviously be rash indeed. But much may be learned about the present position from an analysis of the various stages which have led up to it and by an examination of the basic factors involved.

Ever since the opening of the Suez Canal in 1869 and the occupation of Egypt by British forces in 1882 the interest of Britain in this shortest route to her Asiatic possessions has been axiomatic. It requires no further elaboration here. But some consideration may profitably be given to the policy that was formulated to protect this route. In the decade following the opening of the Canal the British were fascinated by the danger that seemed to threaten from Russia. Disraeli's whole thought was to block the advance of the Muscovite colossus either in the Balkans or in the Caucasus. When the crisis of 1878 had at last blown over, Britain was discovered in occupation of Cyprus, which was thought of as a *place d'armes* and a point of departure for meeting Russian encroachment either by sea or by land through Anatolia. The fact that Lord Salisbury offered the French a free hand in Tunis in return for support of the British policy shows more clearly than anything else how little thought was then given to the possibility of Anglo-French antagonism. The conflict of interests came only later. When the French cashed their check on Tunis in 1881 the government of Mr. Gladstone was profoundly displeased, but there was no idea of active opposition. In fact, the French themselves were acting mainly from motives of prestige and certainly had no conception of the strategic value of Tunis.

It was only after the occupation of Egypt that the Mediterranean rivalry between England and France developed. During the eighties, however, the British still felt justified in regarding the threat from France with equanimity. For in the time of Crispi the danger of a clash between France and Italy overshadowed everything else. The Italians, despite their formidable

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naval power, were in constant dread of a French attack upon their exposed coastal cities and therefore clutched the apron-strings of Britannia for all they were worth. The situation as it was at that time was best reflected in the famous Mediterranean Agreements of 1887, concluded under Bismarck's auspices between England and Italy and adhered to by Austria-Hungary and Spain. Leaving out of account the Near Eastern aspects of these pacts, it is important to note that they provided for the preservation of the *status quo* in the Mediterranean and that they were directed against the further expansion of French power in North Africa. It is perfectly clear that any forward movement on the part of France would have been met, at that time, by united action by England and Italy.

The famous Franco-Russian Alliance of 1891–1893 was at least in large measure a reply to the Mediterranean Agreements and the association of Britain with the Powers of the Triple Alliance. When a Russian squadron visited Toulon in October 1893 the English were under no illusions regarding the possible consequences. They had a powerful squadron in the Mediterranean, based upon Malta, but the French Toulon squadron was hardly inferior in number and probably superior in quality, and France was completing the great fortifications at Bizerta which gave them a second *point d'appui* and bade well to assure them control of the western basin. France's Russian friends had a half dozen new warships in the Black Sea which could have come out into the eastern Mediterranean without fear of serious opposition from the Turks. In that event the British fleet would have been caught in the center, with only the Italian squadrons to rely on for aid. The upshot of it all was that in the winter of 1893–1894 the British experienced an acute naval panic. Among the experts the whole Mediterranean problem was gone over in minute detail, while in Parliament no less a person than Joseph Chamberlain expressed the opinion that in the event of war "the British Navy in the Mediterranean would have to cut and run — if it could run." Men like Dilke and Brassey had already despaired of England's ability to protect her commerce against French cruisers and destroyers and were recommending that in case of conflict the entire merchant marine should be transferred to foreign registry. Food, it was hoped, would not be declared contraband.

The immediate results of the crisis were the impressive "Spencer building plan," supplementing the famous Naval Defense

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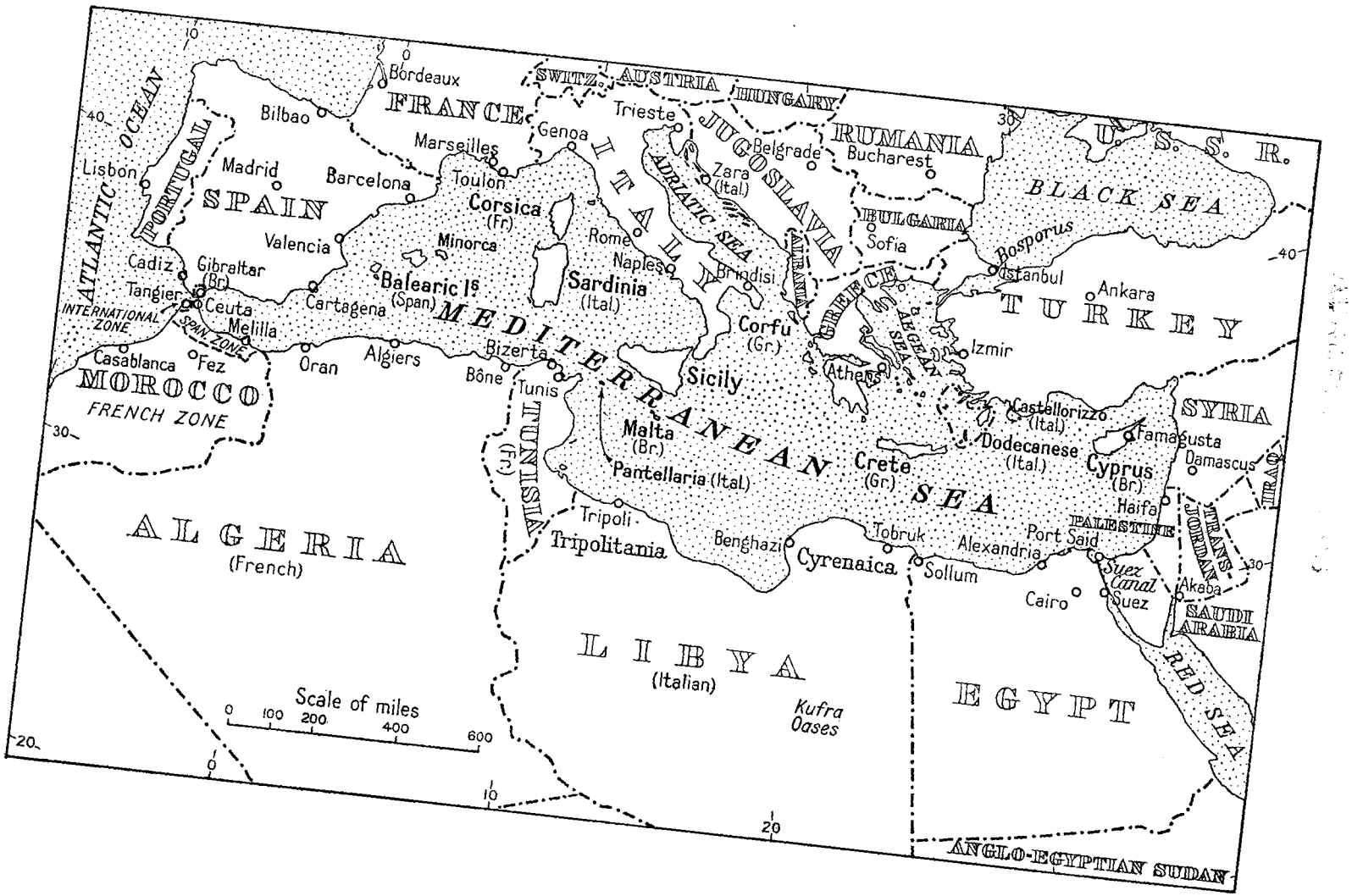

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Act of 1889, and the desperate though abortive efforts of Lord Rosebery to revitalize the Mediterranean Agreements and to enlist the support of Germany. Fortunately for the British, the attention of the Russians was very soon diverted to the Far East and when the storm broke between England and France in the great Fashoda crisis of 1898, France, deserted by her ally and deeply immersed in the Dreyfus scandal, was too unprepared to face the prospect of a naval conflict with Britain. Delcassé climbed down and Britannia's rule of the waves was once again undisputed.

During his unprecedented tenure of office, Delcassé worked systematically for an entente with England, which he hoped would lead ultimately to an Anglo-Russian entente and the weakening of the Triple Alliance. Camille Barrère, the eminent French Ambassador at Rome, succeeded in weaning the Italians from their German connections by exchanging a free hand in Tripoli for a free hand in Morocco. In the same way the Spaniards were baited with the prospect of a share in the Moroccan spoils. After the Spanish-American War, the Madrid government was unutterably weak and in constant dread of losing the Canaries or the Balearics to some great Power like Germany, which was supposed to have far-reaching designs in both the Atlantic and the Mediterranean. The pressure from Paris was great, but the Spaniards did not dare conclude an arrangement without the approval of Britain. Delcassé had to square the London government before he could hope for much success in Madrid; and this he did in the famous entente of April 8, 1904, the basis of which was the abandonment of French claims in Egypt for the withdrawal of British opposition to French policy in Morocco.

The negotiations for the entente led quite naturally to a consideration of the Mediterranean scene. England's traditional policy in Morocco had always been "that any attack on the Mediterranean coast of Morocco, and especially on Tangier, should be resisted by force." Delcassé, hounded by the fear of German ambitions, was ready to give full assurances and in fact proposed an arrangement to preserve the *status quo* within a radius of five hundred miles from the Straits of Gibraltar to nip in the bud any German hopes of acquiring the Balearics. This seemed to the British to be going too far, but in the final agreement it was provided that no fortifications should be erected on the Moroccan coast between Mellila and the Atlantic and that

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Tangier should be given a special, neutral position. When, in November 1904, Spain made her Moroccan agreement with France, she was obliged to accept these arrangements, though northern Morocco was part of the Spanish zone. England had already secured from Spain a promise not to fortify Algeciras, whence the new long-range guns might threaten Gibraltar, and so the British concern for the freedom of the Straits seemed well taken care of.

The crushing naval strength of England and France in the Mediterranean practically forced the weaker Powers, Italy and Spain, into close relations with the entente. Italy managed to keep at least one foot in the other camp, but Spain became little more than a subsidiary of the main combination, just as Portugal was hardly more than a British protectorate. After the acute Morocco crisis of 1905 both England and France were much exercised by the threat of German expansion. From every successive Portuguese foreign minister the English extracted a promise not to grant the Germans a coaling or naval station in the Madeiras or Azores, and on May 16, 1907, the Madrid government, despite the resentment felt at French action in Morocco, was induced to exchange notes with Paris as well as London (the Pact of Cartagena) providing for the maintenance of the *status quo* in the Mediterranean and that part of the Atlantic which washes the shores of Europe and Africa. Each of the three Powers declared that in pursuance of this policy it was firmly resolved to preserve intact its rights over its insular and maritime possessions in those regions. Thus were the Balearics and Canaries safeguarded from a grasping Germany.

From 1907 until 1912 the situation remained substantially unchanged, despite the fact that the Agadir crisis of 1911 raised once again the specter of German designs in Morocco and at the same time evoked a good deal of friction between France and Spain. This was not resolved until conflicting claims were settled by the agreement of November 1912. It was the war of Italy against Turkey, which broke out in September 1911, that brought about a basic transformation in the Middle Sea. The annexation of Tripoli secured for the Italians a footing on the African shore and gave them a splendid potential base at Tobruk. But even more serious was the occupation of the Dodecanese Islands in May 1912, which brought them to the very coast of Anatolia and established them athwart the routes from Malta and Constan-

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tinople to the Suez Canal. This move created something like consternation both in Paris and in London. The French feared, and rightly, that the Italians were preparing to challenge the French cultural and economic position in the Near East, and the British were profoundly disturbed by the naval aspects of the problem. An admiralty report of June 1912 declared that the naval authorities had always proceeded on the proposition that no possible opponent at sea should be permitted to have a base less than one thousand miles from Suez, in other words east of Malta. The strategic potentialities of the Dodecanese were great, and might in future be greater yet: "None can foresee the developments of material in warfare, and the occupation of the apparently most useless island should be resisted equally with the occupation of the best."

For Britain and France the situation was much aggravated by other considerations. The growing sea power of Germany made it necessary for England to withdraw her battle fleet from the Mediterranean in the summer of 1912 in order to reinforce the North Sea fleet, while the French were obliged to concentrate all their battleships in the south in view of the steady growth of the Italian navy and the emergence of Austria-Hungary as a factor to be reckoned with. For the moment the French squadrons were slightly superior to the combined Austro-Italian forces, though the latter included some recent dreadnoughts and had an advantage in the heaviest guns. It was chiefly because of the uncertainty of the French position that Delcassé introduced the great naval building program of 1912, while England kept four battle-cruisers and some lighter cruisers in the Mediterranean and planned to send some dreadnoughts as soon as they were available. There was constant fear in both Paris and London that the Italians might make over to the Germans a naval base in Tripoli or in the Dodecanese, or that the Central Powers, inspired by Italy's success, might take steps of their own to establish themselves in the east. "There would be a regular scramble," said Sir Edward Grey, "and the whole applecart would be upset." In no uncertain terms the British Ambassador at Madrid declared: "Once Italy is in possession of a naval base in the eastern Mediterranean, the Triple Alliance will be mistress of those shores."

The question was how to meet this new threat. Paul Cambon recommended from London that the Bosporus and Dardanelles

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be opened to Russian ships so that the Black Sea squadron might be used to redress the balance in the Mediterranean, but this idea met with little favor. Instead, the Entente Powers began to consider the conclusion of a pact with Italy to guarantee the *status quo*, which would spare them further surprises and forestall Italy's falling entirely under German-Austrian control. Both Cambon and Barrère, French Ambassadors respectively in London and Rome, urged the expediency of this policy and Grey supported it. After the conclusion of peace between Italy and Turkey in October 1912 the matter was taken up with the Rome government, but nothing came of the negotiations because the Italians asked as a price that they be allowed to keep at least one or two of the islands, while the British and French insisted on their evacuation. Discussions continued, on and off, until the very eve of the Great War.

In the treaty with Turkey the Italians had promised to evacuate the Dodecanese as soon as the Turks had withdrawn their troops from Tripoli. On one score or another they delayed action, despite the strong not to say threatening language of the British and the French, and the constant efforts of these to have the islands turned over to the Greeks and given a neutral status. The Italians gave abundant assurances but did nothing. In the spring of 1914 relations were so strained that Grey complained to the Italian Ambassador: "During the last year or two the Italian government had encroached more upon British interests than any other two European Powers put together."

The chief result of this quarrel was that it drove Italy back into the arms of Austria and Germany. In November 1912 Germany for the first time established a Mediterranean division, consisting of the new battle-cruiser *Goeben* (launched 1911, 24,000 tons, speed 30 knots) and seven smaller cruisers. There seemed every reason to suppose that the Triple Alliance (renewed in December 1912) was extending the sphere of its activity to the eastern Mediterranean. With the balance of power already precarious, the Entente governments were only too glad to receive offers of Spanish support. The recently published French documents have revealed the eagerness of King Alfonso to have Spain join the Triple Entente. In 1912–1913 he made concerted efforts in this direction, paid a visit to Paris (May 1913) and entertained Poincaré at Madrid and Cartagena, where there was an imposing naval demonstration attended by a British battle-cruiser (Octo-

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ber 1913). The King gave the French repeated assurances that in the event of war they need pay no attention to the Pyrenees frontier, and pointed out further to Poincaré that if Spain were allied to France, the French might make use of the ports of the peninsula and of the Balearics, that they might transport their African forces by rail across Spain, etc. Poincaré, so it seems, avoided too extensive commitments, being unwilling to assume responsibility for all Spain's possessions and evidently fearing trouble with Germany with regard to Spanish Guinea. Nevertheless, Spain could be counted on to be friendly and in the last analysis the Spanish naval forces, greatly strengthened since 1908, might have been of some account.

When the great crisis of July 1914 culminated in the first declarations of war, not only Spain but Italy proclaimed neutrality. Spain maintained this policy throughout, though there was considerable sentiment for joining the Allies and some talk of securing Gibraltar in exchange for Ceuta as a reward. The Italian neutrality was probably, in the first instance, the reflection of public dislike of Austria; but unpreparedness certainly played a part. The abstention of the Italians was of the utmost importance for France, for it ruined the plan laid down in the naval convention of the Triple Alliance (November 1913) for an attack upon the French troop transports from Algeria. What might have happened may be guessed from the achievement of the *Goeben* and *Breslau*. By bombarding Philippeville and Bône these two ships drove the French admiral to violate his instructions and use his ships to convoy transports individually, thereby delaying troop movements considerably. If the Italians had joined in it is not unlikely that the famous French XIX Corps would never have reached Europe in time, for the combined squadrons of the Triple Alliance had a distinct advantage over the French and British in battleships. By May 1915 this advantage was, if anything, somewhat greater, if the naval forces concentrated at the Dardanelles are left out of account. It is easy to understand, then, why the Allies were so eager to bring Italy into the war on their side, and nothing demonstrates more clearly their anxiety than the fact that the Treaty of London assigned the Dodecanese to Italy in full sovereignty. Only just before the war, M. Doumergue had heard from Grey's own lips (April 1914): "The Italians must return the islands. They must not keep them; we shall never agree to that."

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Once the Italians had joined the Entente Powers there was no further problem. The German and Austrian submarines wrought havoc with shipping in the Mediterranean and drove much of the usual commerce to take the route around the Cape of Good Hope; but actually the command of the sea was secure in Allied hands. In the course of the war British troops were moved to and from the various theaters of war and the French were able to bring several hundred thousand men from their African colonies to the European battlefields. The effect of the critical years 1912–1918 was to throw into high relief the various aspects of the naval problem and to indicate the relative importance of the elements that made the balance. Spain's rôle throughout was a secondary one, while Italy's was decisive. In the last count the powerful combination of Britain and France attracted the others to the Entente, though the price for Italian support was a high one.

In the period immediately following the war the situation was much less acute, though the underlying antagonisms remained. The disappearance of Austria-Hungary removed one of the prewar threats, but on the other hand it gave Italy complete control of the Adriatic and permitted her to devote her whole attention to the Mediterranean proper. All the efforts made between 1919 and 1922 to induce the Italians to give up the Dodecanese broke down and the Treaty of Lausanne once again recognized their sovereignty. In the interval Mussolini had come into power and almost from the dawn of Fascist rule he made it clear that he meant to follow the Mediterranean aspirations which were so ardently expressed by the men of the *Risorgimento* and by the Nationalists of the prewar years. *Mare nostro* became more than a dream, it became a policy.

So long as Fascist Italy stood alone there was no immediate danger to British and French positions. Mussolini, having suffered a setback in the Corfu episode, could do little more than cultivate the friendship of Spain. Primo de Rivera, who was particularly sensitive about Gibraltar, gave ear to the siren-calls from Rome. In 1923 King Alfonso visited Italy and in the following year Victor Emmanuel journeyed to Madrid. A treaty of friendship was concluded in August 1926 and the two Powers worked together to undermine the preponderant position of France in Tangier. Whether there ever existed, as some have claimed, a naval convention giving the Italians the right to use

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the Balearics in time of war it is hard to say; but the Spanish plan to tunnel under the Straits of Gibraltar caused no little uneasiness in France and we may assume that the fall of the Spanish dictator was not deeply regretted north of the Pyrenees. Until recently France kept nearly her whole naval power in the Mediterranean and the rivalry of Italy was one of her chief preoccupations.

The Ethiopian crisis of 1935–1936 revealed in a flash a number of profound changes that had been taking place in the Mediterranean situation in the postwar years. The interests of both Britain and France had grown enormously. Both having extensive possessions in the Far East, they are equally interested in the Mediterranean as a commercial and strategic route. Of all imports brought by this route, oil has become for both the most important. Britain gets almost three-quarters of her supply from the East Indies, Iran, Iraq and Rumania, while France takes half of hers from Iraq. These supplies come normally through the Mediterranean, the Iraq oil arriving by the Anglo-French pipelines ending at Haifa and Tripoli-in-Syria. Both Powers hold important positions in the Near East (Syria, Palestine, Egypt, Transjordania, Iraq) involving distinct obligations of defense. England has made the eastern Mediterranean the junction of her imperial airways to the Far East and Africa, and France is steadily developing similar communications. In addition France has become ever more dependent on her African colonies for troops. Fully a third of the French standing army is stationed in Africa and the problem of transporting them to Europe is a matter of life and death for her. Further details need not be given. It is perfectly obvious that politically, strategically and commercially the Mediterranean is far more important for England and France now than it was twenty years ago.

The conditions of defense have undergone an even more drastic change. We do not need to give too much attention to the submarine, which was fairly well under control at the end of the war. It is the development of the airplane, particularly in the last three or four years, that has upset all traditional calculations. Fighting planes and bombers, flying at 200–250 miles an hour, have made the Mediterranean a very narrow passage and have given riparian states like Italy and Spain an advantage they have never enjoyed before. At the same time they have greatly reduced the strength of positions like Gibraltar and Malta, which were chosen purely for their naval importance.

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It is common knowledge that in September 1935 the British, having assembled an immense armada from the four corners of the globe, were obliged to withdraw their naval forces from Malta and concentrate them at Alexandria and Haifa, where the larger part remained until a year later. The British were caught frankly unprepared. Their fleet had been neglected, their bases were not up to par, their air power in the Mediterranean wholly inadequate. They made the best they could of a very nasty situation. Several hundred airplanes were rushed to Egypt and Palestine and agreements were made with France, Jugoslavia, Greece and Turkey providing for coöperation in the event of war resulting from any action taken under League auspices. Even under the circumstances, Mussolini took a long chance; but his daring brought its reward in the shape of the Ethiopian prize.

In view of the collapse of the League system and the surprising strength of Italy in the Mediterranean, the British were not at all certain that they could maintain themselves in that sea in time of war. In the spring of 1936 there were many who advocated the abandonment of the route and a policy of sealing it at either end. In that case the commerce from the Middle and Far East would be transferred to the Cape route. As this is eighty percent longer the carrying capacity of the merchant marine would be reduced proportionately. For more than a generation the British have been accustomed to the thought of having to fall back on the Cape route, but this solution presents serious difficulties at the present time. Since 1914 British shipping tonnage has declined by nine percent, the number of ships dropping from 9,240 to 7,246. Sir Archibald Hurd, the outstanding authority, thinks Britain would need at least 700 more ships to maintain her food supply in wartime. If the efficiency of British shipping were further reduced by being forced to take a much longer route, the problem would be aggravated. Nevertheless, there is no illusion about the importance of the Cape route and the naval bases at Simonstown and Sierra Leone are being taken in hand in preparation for a possible evil day.

But the British Government is determined to use the shorter route if it is humanly possible to do so. It has embarked upon an elaborate program of naval and air rearmament which will give Britain twenty-five capital ships and the corresponding number of cruisers, destroyers and submarines by 1942 and which will bring the air force up to about 5,000 planes by 1940. Though the

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Italians have also decided to develop their fleet to the limit of their financial capacity, there is no likelihood that they will continue to be a major threat to England on the sea. The chief British problem is that of bases. After a visit of inspection to the Mediterranean in August and September 1936, Sir Samuel Hoare announced publicly that "far from there being any question of our abdicating our position in the Mediterranean or scuttling from Malta, we intend to face these new and difficult problems, to make our future position secure." Malta is being completely refortified and a third airfield is being built. Ultimately it will probably be able to withstand attack from Sicily (only twenty minutes distant by air) and possibly an air fleet stationed there will be able to take the offensive. It also will be made into an important submarine base. But there seems little likelihood that it can be used by the fleet in wartime, for if the experts are right, a hostile air force could, if it broke through the anti-aircraft defense, register something like fifty percent of hits on a dockyard or on a fleet at anchor. The Italian situation is in this respect, then, very favorable. The British naval forces will have to be concentrated to the east. As neither Alexandria or Haifa is adequate and as neither is located in British territory, the great hope of the future is Cyprus, regarded until recently as utterly useless but now spoken of as the solar plexus of the empire. The harbor of Famagusta can be developed to accommodate at least some battleships. But Cyprus is most promising as an air base, to counterbalance the Italian position at Leros in the Dodecanese. The central plain will provide any number of airfields and Lake Akrotiri can be used for seaplanes. Imperial Airways has recently decided to make Cyprus the junction of its Asian and African lines and is already constructing subterranean hangars. Strategically the island will serve to cover Suez and the Haifa pipeline and to support the ships based on those points. In the Red Sea the British are working on Akaba (taken in 1925) and on Aden. Rumor has it that they are out to get other positions in the Farsan Islands or at Sheikh Said. The Iraq Petroleum Company recently obtained from Ibn Saud a concession to exploit the resources of the whole Arabian coast of the Red Sea for a distance of 100 kilometers inland.

Diplomatically the English have been just as active. In October of last year British squadrons visited all the key ports of Greece and in November a Turkish force paid a visit to Malta, stopping

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at the Piræus on the return voyage. It is essential for England to keep Greece on her side, for the Greek harbors would be invaluable in time of war. But Turkey is even more important and the British are happy to think that their relations with Kemal Atatürk are better than they have ever been since the war. A regional pact between Turkey, Iraq, Iran and Afghanistan is under discussion and within the last eighteen months an important alliance has been concluded between Iraq and Saudi Arabia. Egypt has signed a treaty with Arabia and it seems only a matter of time before the Yeman is brought into the bloc. These combinations are all more or less under British auspices and their general effect is to create a solid Turkish-Arabian front to any attempt of Mussolini to encroach on the Near East.

In many discussions of the Mediterranean problem there has been a tendency to underestimate the potential strength of the British position. If they keep enough airplanes, cruisers, destroyers and submarines in the Mediterranean they may be able to pass at least part of their normal commerce over this route by the convoy system. Italy's defensive position is more precarious, for her whole empire lies along this route and fully eighty percent of Italy's imports come to her by sea. If the British confined their efforts to closing the sea at either end, the result would be disastrous for Italy. In reply to British moves, Mussolini has decreed the fortification of Pantellaria (an admirable base between Sicily and Tunis) and of Assab at the southern end on the Red Sea. Even so, the Italians will remain at a distinct disadvantage.

In the Anglo-Italian accord of January 2, 1937, both parties recognized "that the freedom of entry to, exit from and transit through the Mediterranean is a vital interest both to the different parts of the British Empire and to Italy and that these interests are in no way inconsistent with each other." The two Powers expressed their desire to contribute to the cause of peace and security and to "the betterment of relations between them and all Mediterranean Powers." But even at the time the statement seemed somewhat unreal in view of the Italian policy in Spain. And since then the Anglo-Italian relationship has been further clouded by the proclamation of Italian friendship for the Moslems made in the course of Mussolini's demonstrative visit to Libya.

The Spanish civil war added the problem of the western Mediterranean to that of the eastern and presented both France and England with a fresh set of dangers. The possibility of a Fascist

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victory there at once raised the specter of Italian or German establishments in the Balearics, Morocco, Ifni, Rio de Oro or the Canaries. The prompt aid given to Franco by Mussolini and Hitler brought all these questions at once to the acute phase. The British recognize that in these days Gibraltar, exposed to long-range guns from the mainland and without an adequate airfield, exists more or less on sufferance; hence they are keenly interested in having the Balearics, Ceuta and Tangier in friendly neutral hands. The French, despite their grand base at Bizerta and the new works at Mers-el-Kebir (near Oran), have no confidence in their ability to bring oil from Syria or to transport their troops from Algeria. They are providing for huge oil stores in France and plan if need be to take their African troops to the Atlantic coast of Morocco and send them from Casablanca and Rabat to Bordeaux, even though this would mean the loss of several days in the critical first period of a conflict. But there are even worse contingencies to consider. The Italians entrenched in the Balearics[1] would be able to command both the east-west and south-north routes of the western part of the sea; but the Germans established on the Canaries or in Rio de Oro would be a serious menace to British or French shipping not only on the Cape route, but also on the South American route.

In the early months of the struggle, Franco, Mussolini and Hitler all gave assurances that there was no intention of changing the *status quo* and that there would be no territorial cessions. Anyone acquainted with the ideology of the Spanish nationalists must realize that Franco would hardly feel able to give up Spanish territory. But the question of territorial sovereignty is really beside the point. The World War showed how friendly ports could be used by submarines. In the same way friendly airfields will be used in the future. Even if Franco were to cede the Balearics to Italy, these islands could probably not be held against the combined power of England and France. In the same way the Germans would be unable to maintain themselves in Morocco, in West Africa or in the Canaries. But both the Balearics and the Canaries are marvellous submarine and air bases and permission to make use of them would be invaluable in time of war.

[1] The island of Minorca, regarded by Admiral Mahan as the strongest position in the Mediterranean, is still in the hands of the Spanish Government. See also "The Balearic Islands in Mediterranean Strategy." FOREIGN AFFAIRS, January 1937.

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The French, on their side, have been losing sleep for years over German activities in Morocco and on the African west coast. On the Portuguese Bissagos Islands (halfway between Konakry and Dakar) the former *Kamerun Eisenbahn Gesellschaft* has been operating since 1923 as the *Companhia Agricola e Fabril da Guiné*, ostensibly manufacturing vegetable oils for export, but, according to the French, actually storing oil for submarines and airplanes. Rio de Oro and Ifni, they say, are nothing but German headquarters for anti-French propaganda. The Moroccan scare of January 1937 showed how alert the French are to note any German encroachment further north. They have built the battleships *Strasbourg* and *Dunkerque* to offset the German pocket-battleships of the *Deutschland* type and the new Italian *Littorio* and *Vittorio Veneto;* and they have evidently used strong language to check the flow of Italian and German volunteers to Spain.

There seems little that can be said in definite terms about the future of the Mediterranean problem until after the Spanish conflict has been decided. And how can it be decided so long as England and France refuse to allow the Fascist Powers to send sufficient help to assure a Fascist victory in Spain and so long as Italy and Germany refuse to entertain the notion of a radical government there? Plainly the Mediterranean problem is to be with us for a long time yet as a major focal point of international relations and international dispute.

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BRITISH POLICY TOWARDS SPAIN

By D. Graham Hutton

THE temperature in the Spanish crucible had been persistently rising long before the revolt of General Franco and his brother officers against the Republican Government last July. With the actual outbreak of that revolt, however, much more than the political destinies of the Spanish people began to be tried in the fire; for Spain quickly became the testing ground of all the beliefs, interests and policies which divide Europe as a whole. Into the Spanish fire were heaped, within a few days of the officers' rebellion, the antagonism of Nazi Germany and Soviet Russia; the Italo-British dispute over the control of the Mediterranean, begun by Italy's aggression in Abyssinia less than a year before; the future status of Morocco, ignored for a generation; the warring ideologies of Right and Left; and the even more fundamental division between democracy and dictatorship.

Franco's rebellion broke out only two months after the collapse of Abyssinian resistance to Italian aggression and only one month after the British Foreign Secretary, Mr. Anthony Eden, had announced to an abashed House of Commons, more bitterly divided than at any time within living memory, that at the forthcoming meeting of the League of Nations the British Government would unilaterally urge the abandonment of sanctions against Italy. Accordingly, the Spanish insurrection raised embarrassing problems of foreign relations and strategy at a moment particularly inopportune for the British Government. Repercussions of its diplomatic defeat at the hands of Italy were still reëchoing; its rôle in leading the League into and out of sanctions had not yet faded from the British electorate's memory; nor had its pledges of a foreign policy based on collective security — pledges which had won for Mr. Baldwin the general election of 1935 — been forgotten. Furthermore, the rearmament program had scarcely more than begun when the Spanish crisis once more confronted the Government with those very dilemmas which for five years it had sought to evade in Manchuria, Abyssinia and the Rhineland. It was all most discouraging.

The successes which the latter-day apostles of power politics in Japan, Germany and Italy had achieved since 1931 undeniably emboldened the Party régimes of Italy and Germany to par-

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ticipate in the Spanish insurrection from the very beginning. It is now established that Italian military aircraft and personnel were detailed for dispatch to the Spanish Moroccan zone, General Franco's first base, *before* the insurrection broke out; and German aircraft, warlike stores and men of the Party régime's military formations were in the territory of the insurgents almost at the outset. The Italian and German Governments — to be distinguished, if that is indeed possible, from their totalitarian Party régimes — introduced the first of those paradoxes which make the Spanish insurrection unprecedented in history and international law. On the one hand, they allowed, even encouraged, their Party régimes to compass the forcible overthrow of the government of a friendly Power. On the other hand, their totalitarian governments maintained the contradictory attitude that they could not prevent "voluntary" acts of their citizens. It was this first paradox, and its manifest unfairness to the legitimate Spanish Government, which decided the totalitarian Party régime of Russia to embrace the same attitude in favor of the Spanish Government.

Thus from the outset Spain became the crucible of Europe's two warring ideologies — despite the reiterated, if somewhat platonic, contentions of the British Government that it rejected the necessity of any choice between the two. That choice, at least in the realm of foreign policy, was nevertheless thrust upon democracies — in particular France and Great Britain, the only two democratic Great Powers in Europe — by the inescapable dilemmas which the Spanish insurrection raised. Decisions had to be made which necessarily implied taking a stand for or against not only the Spanish insurgents but also the Party States of Germany and Italy, for or against not only the legitimate Spanish Government but also the Party State of Russia. Again, it was most discouraging.

Beside these first two factors — European policy and conflicting European ideologies — there was a third, the strategic. In the case both of France and Britain vitally important interests were here involved. Suppose that Spain were to fall under the sway of Nazi Germany and Fascist Italy, or under that of a Fascist generalissimo sympathetic to and dependent upon these two Fascist Powers. In that event, France's economic and military reliance upon her African resources and Britain's economic and maritime dependence upon her imperial highway through the Mediter-

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ranean would alike be jeopardized. The military and economic enfeeblement of France would constitute a weakening of Britain's outlying bastion of defense on the Continent. Standing Fascist armies south of the Pyrenees, coupled with Italian and German strategic footholds — located, say, at Ceuta in the Spanish Moroccan zone, Tarifa Point on the Spanish coast a few miles west of Gibraltar, Tangier and the Canary Islands, lying athwart the Cape route to the East — could seriously interfere with British and French military and naval plans. France would be surrounded by Fascist armies on all three land frontiers. The communications of Britain and France with their sources of manpower, food, oil and industrial raw materials could be interrupted, perhaps entirely blocked. Clearly, the Italian and German régimes stood to gain much more than a mere sympathetic comrade by their support of General Franco. They might obtain all the aces in the diplomatic rubber, of which they had already won the rearmament, Abyssinian and Rhineland tricks.

A large section of British public opinion, representing all three political parties, was alive to these considerations from the very beginning of the Spanish insurrection. The temerity of the Fascist states in taking the initiative so soon on the heels of the Abyssinian affair, and here at the very entrance to the Mediterranean, perturbed Conservatives in the Center and Left of the unwieldy governmental majority. Those on the extreme Right, a small but vocal minority, showed a narrow, class conception of British interests. It sufficed for them that France had just elected a *Front Populaire* Government, that the legitimate Spanish Government was called *Frente Popular*, that Communists were supporting both, and that the Spanish men of property were supporting General Franco. The nineteen-year-old bogey of Bolshevism — Bolshevism in France, in Spain, in Czechoslovakia — was evoked by the astute Propaganda Ministries of Italy and Germany for the special purpose of impressing the British Conservatives. It succeeded in causing a division in the British Cabinet, not so much of counsels as of sympathies. In this division, be it said, the Cabinet faithfully reflected the divided sentiments of the Conservative majority in the Commons and the division of sympathies over Abyssinia, sanctions and the Hoare-Laval plan which had existed less than a year earlier. On the questions of isolationism versus collective security; limitation of armament versus unilateral rearmament; collaboration with France and the small

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European democracies, aided by Russia, versus the issuance of a *laissez passer* to the German, Italian and Japanese totalitarian states — the Conservative Party had been divided ever since it had jettisoned the Geneva Protocol in 1925 and lowered its eyelids over Manchuria in 1931–32.

By 1936, after the Abyssinian and Rhineland examples of Fascist initiative, this division in the Conservative Party tended to follow age groups. It has always been the party of the "old men." The majority of the Cabinet and the National (Coalition) Liberals led by Sir John Simon, all of them well on in years, were chiefly concerned to evade commitments, keep Britain out of anything like "trouble," and avoid entanglements of all kinds. The younger Tories — a realistic, very able, but politically impotent group — became mainly preoccupied (as were all the Opposition Liberals and informed Labor Members) with the safeguarding of British economic and strategic interests. Two elder statesmen gave them counsel and help — Winston Churchill and the late Sir Austen Chamberlain. The great mass of the British electorate — workers and Trade Unionists — meanwhile felt the traditional British sympathy for the under-dog in Spain.

To Mr. Eden has fallen the invidious duty of proclaiming, from last July right down to the present, a medley of Cabinet decisions over Spain, some of them reasoned and courageous, some contradicting others, but most of them puzzling alike to the British and other peoples. The plan seemed to be to allow events to take their course in the Peninsula, the Balearics and the Spanish zone of Morocco, so long as British men, material and ships were not directly involved. Three things about this decision particularly puzzled the British public as well as the Dominions and the rest of the world: first, the Government's apparent dismissal of the possibility that Italy and Germany might threaten British interests via Spain; secondly, the Government's apparent predisposition against the legitimate Spanish Government and in favor of the insurgents; and, finally, the Government's sudden decision in February to launch a naval armament program of record proportions for peacetime construction.

II

The Spanish insurrection came so soon after the humiliation of the League, and of the British Government which had led the League, that when on August 2 the Popular Front Cabinet of

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M. Blum appealed to the British and Italian Foreign Offices for "the rapid adoption and rigid observance of an agreed arrangement for non-intervention in Spain," British public opinion and the British Government were relieved to find an initiative being taken elsewhere than at Geneva. At the time there were strong rumors that M. Blum's Government, hard pressed by its Communist supporters to assist the Spanish Government with men, money and materials, had turned to London for advice and had found the British unprepared to do anything active on behalf of the friendly Government of Spain. Thereupon, in order to prevent dissension and disintegration at home, so it was said, M. Blum made his non-intervention proposals in London and Rome. Two days later, on August 4, the British Government agreed to non-intervention and suggested ordinary diplomatic negotiations, which should include Germany and Portugal. On August 5, Russia and Belgium agreed to non-intervention in principle; and on August 7, 8 and 9, Italy, Germany and Portugal also gave, informally and in very qualified terms, their agreement "in principle."

This initiative for an international *non-intervention* policy — contrasted with the status of *neutrality* (as between two recognized belligerents) or with *assistance* (which the Government of Spain could legitimately expect from friendly Powers who refused to accord the insurgents the status of belligerents) — was taken outside the framework of the League. And it was taken by Powers who became divided into: (1) a great majority who refused to recognize the insurgents as belligerents but at the same time also refused, in virtue of non-intervention, to aid the Spanish Government, whose authority they still acknowledged; and (2) Italy and Germany, who recognized the insurgents as the legitimate Government of Spain, thus jumping over the stage of recognized belligerency altogether. Accordingly, on the one hand the British, French, and other democratic governments during August imposed effective bans on the exports of an agreed list of arms, aircraft and war materials; on the other hand, Italian, German and Portuguese citizens, members of the Fascist and Nazi Parties and therefore servants of their Party States, continuously supplied the insurgent forces with men and war material. The German Government prohibited exports of war material; but the Italian, Portuguese and Russian Governments each agreed to enforce the embargo only in case the other two did.

The British Government's reason for immediately involving

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itself in the legal paradoxes and factual dilemmas of non-intervention was made plain at the outset. On August 15 the Government declared: "It should be realized that the maintenance of a strict and impartial attitude of non-intervention is essential if the unhappy events in Spain are to be prevented from having serious repercussions elsewhere." It warned British citizens who tried to help either side in Spain that they would receive no official support whatever in any difficulties they might encounter. This drastic denial of aid, even through private citizens, to the legitimate government of a friendly Power engaged in a struggle for existence against freebooters — to whom, be it repeated, all the democratic governments refused even recognition as belligerents — led to embittered domestic dissensions in Britain and France. It also led to accusations from the Left parties in those two countries that non-intervention was only a smoke-screen behind which the Spanish insurgents were being favored by the Fascist and democratic governments alike. This was also the contention of Russia, cogently urged by the Soviet Ambassador in London, M. Maisky, in the wearisome meetings of the London Non-intervention Committee. And it was reiterated by Labor, Opposition Liberal and some younger Conservative members of Parliament in the debates on foreign affairs which became progressively more bitter as General Franco's forces were reinforced by Moors ("black" from the Spanish Moroccan zone, "blond," as the Spaniards called them, from Germany) and as Italian Blackshirt militiamen were called up and sent by troopships to Spain.

The British Government had been cleverly advised on the technical legal position. Britain and France stoutly refused to recognize either the insurgents as belligerents or the Spanish Government as capable of declaring a "blockade" of the coasts in insurgent hands. Accordingly, the Spanish Government on August 22 obligingly gave the British Government two pledges: (a) not to stop and search British ships on the high seas; and (b) to recognize the British definition of territorial waters, *i.e.*, the 3-mile instead of the traditional Spanish 6-mile limit. Thus, when the Non-intervention Committee first met in London on September 9, it seemed as if the British and French Governments would need only to lift their little fingers and the Fascist states — Italy, Germany and Portugal — as well as Russia, would agree to make non-intervention really effective.

There was even talk and hope at this time that the British

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and French Governments, with their eyes on the Spanish Moroccan zone, Tarifa Point and the Italian occupation of the Balearics, would, in defense of Franco-British interests in the Western Mediterranean, proceed to institute a Franco-British naval blockade of Spain's entire coastline. Undoubtedly this would have secured effective non-intervention quicker than anything else. Nor would Germany or Italy have dared to challenge the naval power thus displayed. But, owing to the delicacy of the Central European situation last autumn, to the sympathy in sections of the British Conservative Party for the Spanish insurgents and their foreign Fascist supporters, and to the difficult position of M. Blum just before the devaluation of the franc, the British and French Cabinets "went slow" at the London meetings of the Non-intervention Committee. Furthermore, in spite of M. Blum's urgent representations to Mr. Eden, the British in September did not even exert sufficient pressure upon the Portuguese Government to prevent the wholesale transit of war material and men through Lisbon and thence overland to insurgent headquarters. The Spanish delegate in Geneva at the end of September protested that non-intervention was in fact resulting in intervention against his Government; and he circulated among the delegates documents which, had they been formally examined by the League (still officially not seized of the matter), would have short-circuited the (non-League) London Committee's bland protestations that no Power was guilty of having intervened in Spain.

By October 5 the continuous support reaching General Franco from the Fascist Powers had compelled the Annual Conference of the Labor Party at Edinburgh to repudiate the action taken by the British Trades Union Congress on September 10, when it endorsed the policy of non-intervention. The Labor Party Conference, in fact, voted to oppose the Government's foreign policy as a whole. (Incidentally, owing to the conduct of Italy and Germany, the Conference on this occasion dropped its official opposition to the Government's rearmament proposals.)

During September and October the Non-intervention Committee was the scene of mutual recriminations. The Russian delegate and the Italian, German and Portuguese representatives were continually accusing each other of giving support to one side or the other in Spain. British Liberal and Labor opinion became more and more dissatisfied with Mr. Eden's assurances that

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the British Ambassador at Lisbon had been unable to substantiate the charges against the Portuguese authorities. In his speeches at Sheffield on October 14 and in the Commons on October 29, the British Foreign Secretary again defended the extra-League system for non-intervention as the only feasible policy. On the latter occasion, after Mr. Eden had again declared that the Non-intervention Committee had been unable to substantiate any of the charges against the Portuguese Government, the Opposition took the line that the Non-intervention Committee had become a dilatory farce, that the insurrection was patently the result of a conspiracy engineered by the Fascist Powers, and that the slight risk of provoking Italy to war would be less than the alternative risks that would ensue if Fascism were triumphant throughout the Continent. Mr. Baldwin's only answer was that, while an ideal League might have achieved more than the Non-intervention Committee, the League as it was could certainly not have done so. In this he was probably correct; but the British Government had not thereby answered those of its opponents who, quite naturally, asked why it refused both recognition of belligerency to the rebels and aid to the Spanish Government.

In Britain the feeling now once more began to grow that the Government had determined to "wait and see" (as it had done in the case of sanctions) and to leave the Fascist Powers to set the diplomatic pace. This feeling was intensified in November by Germany's and Italy's recognition of the insurgents as *the* government of Spain. Mr. Eden's proper distinction between such *de jure* recognition to the insurgents and the granting to both sides of the status of belligerency — which *no Power* had done — passed almost unnoticed. British public opinion became definitely more uneasy in the third week of November, when the Government, reaffirming its intention to accord belligerent rights to neither side, introduced a bill to make a criminal offense of the transportation of war materials to Spain by British ships, even from a foreign port. In response to this public uneasiness, Mr. Eden on November 23 declared that, since no belligerent rights had been accorded to either side in Spain, the Navy would protect all British ships from arrest and search on the high seas outside the 3-mile limit; and on November 25 he made it clear that the new bill would not prohibit British ships from carrying to Spain coal, food and goods not on the agreed non-intervention list. Government spokesmen repeatedly emphasized that their policy

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was dictated by the need to save Europe from something even worse than the Spanish Civil War. In this sense the British Government on December 9 appealed to Germany, Italy, Portugal and Soviet Russia to restrict the intervention of volunteers and to supervise non-intervention by international control.

At this point a new and encouraging note was sounded by Mr. Eden. On December 14 he said: "It is a consideration of great moment to us that, when Spain emerges from her present troubles, her integrity should remain intact and unmenaced from any quarter." This was taken as a warning to Germany and Italy. He admitted in the Commons on December 18 that in the previous August the Government might have exaggerated the risks of war. The attitude of the self-styled "German Admiral in Spanish waters," who seized Spanish Government ships as reprisals for their seizure of a German ship carrying wireless sets for the insurgents, greatly annoyed British public opinion; and when the French Government complained of German troops in the Spanish zone of Morocco, the feeling in Britain grew that German "admirals in Spanish waters" and troops in Morocco constituted a direct danger. British naval observers sent from Gibraltar on General Franco's invitation to satisfy themselves about the presence of German troops reported laconically that, *as far as they were permitted to observe*, no extraordinary activity was perceptible. Their reports, taken with other developments, seemed to stiffen the British Government's attitude. At any rate, twice in January Mr. Eden reiterated Britain's concern that the integrity of all Spanish territory (including the Moroccan zone, the Canaries, and the Balearics) should be scrupulously maintained, as provided by treaties. He even denied that the Anglo-Italian "gentleman's agreement" of January 5 could permit Mussolini to intervene against the ultimate establishment of any kind of government in Spain, whether "Red" or another color.

After this sudden access of British plain-speaking, and despite continuous charges from the Opposition that the Government was spinning out the story in order to favor the insurgents, the British Foreign Office was able in February to secure Portugal's long withheld consent to the supervision of her frontiers by an Anglo-Portuguese commission; while the German Government, after the rout of the Italian divisions at Brihuega, began clearly to withdraw from too exposed a position in the Spanish maelstrom. Even so, however, the Italian Government

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contrived to land another 10,000 or 20,000 troops at Cadiz. This took place after the conclusion of the February agreement to stop the sending of volunteers but before the supervision of Spain's frontiers had actually begun. The Russian, German and Italian delegates on the London Committee again fell on each other with charge and countercharge. As it was so near the date for effective supervision, the British Government restricted its action to announcing that the Italian Government had officially informed them that the men landed at Cadiz on March 5 consisted only of medical units. The British Opposition naturally grew alarmed at the prospect of "supervision" systems which, by all precedent, might be worked to let through troops and supplies for the insurgents but not for the Spanish Government. To all questions raised in the Commons, Lord Cranborne, Under-Secretary for Foreign Affairs, simply replied by stating that foreign policy could not be conducted on hypotheses.

The latest phase in the story opened at the end of March. At that moment supervision was due to begin, the ban on volunteers was presumably being enforced, and the Spanish Government forces were making progress on all fronts. The desperate mood of the insurgents was indicated by their navy's sudden interference with British shipping on the high seas, action which on March 20 drew a sharp protest from the Commander-in-Chief of the Mediterranean Fleet. To the utter consternation of British public opinion, represented by members of all parties and by most of the press, Mr. Baldwin nevertheless announced on April 12 that, owing to the investment of Bilbao by insurgent forces, and due to the danger from mines, from aërial bombing and from General Franco's threatened interception of British shipping bound thither, the commander of the British destroyers at St. Jean de Luz (France) had advised several British food ships — had indeed virtually instructed them — not to proceed to Bilbao.

This incensed the British Opposition, who took it as an open admission of British aid in the insurgent effort to starve out Bilbao by the renouncement of British maritime rights. The Government admitted that, as Britain had never accorded belligerents' rights to either side, the insurgent fleet could not arrest or search a British ship outside the 3-mile limit, nor could it institute a legal blockade. After two stormy Commons debates, the Government agreed that any British ships which carried non-prohibited goods and which decided to scorn the insurgents'

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so-called blockade and the mines in Bilbao's harbor of which Mr. Baldwin had made so much, could legitimately claim the full protection of the British Navy beyond the 3-mile limit. The commanders of the destroyers and of the giant 45,000-ton battle cruiser *Hood* still tried to persuade the British food ships from going to Bilbao. But the persistence of a band of Welsh skippers upheld maritime rights; and in the third week of April, one food ship after another slipped out from French harbors at night and were duly shepherded within the 3-mile limit and the range of Bilbao's shore batteries. Of mines there was no trace. The British Government laconically amended its warning to British shipping and announced its inability to say whether mines were in the harbor approaches or not.

The government-controlled presses of Germany and Italy described the inexplicably varying attitudes of the British Government as favorable to the "Reds" in Spain. The British Opposition hailed the Government's use of the Navy as a victory for its contention. And the Welsh skippers became popular heroes in every British newspaper, even *The Times*. The prevalent feeling in England was that the Government, for the sake of full international collaboration in the supervision of Spain's frontiers (due to begin on April 19), had tried to sacrifice British maritime rights. Actually, supervision of the Spanish coasts and frontiers began on the twentieth; and on the twenty-second the first food-ships got through to Bilbao, thus staving off its surrender and capture. A vicious precedent in international law was thereby obviated. Compliance with the demands of the insurgents without having accorded them belligerent rights would have been to jettison both the moral right and the substance of non-intervention. It would have been to allow non-belligerent rebels to institute a blockade and prevent a third Power's ships from enjoying the freedom of the seas — the very thing that the British and French Governments and all the other democratic countries had been determined to avoid by refusing to recognize the insurgents as belligerents.

The failure of General Franco's blockade around Bilbao was grimly emphasized by the sinking of his biggest battleship, the *España*, on April 30. It came just after the atrocious and sedulous annihilation of the Basques' holy city of Guernica on April 26. Guernica was subjected to intensive aërial bombardment for upwards of three hours, during which the latest German bombers

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and pursuit planes (said to have been flown direct from Germany over France at a great height the week before despite the non-intervention agreement) virtually wiped out this town together with several hundreds of its inhabitants. In spite of General Franco's first assertion that no insurgent aëroplanes had been in the air that day and of German press statements denying all responsibility, the testimony of the mayor and priest of Guernica and of the Dean of Valladolid was irrefutable. It compelled even General Franco to admit that some of his aircraft had bombarded Guernica. A storm of indignation arose among all classes and political parties in the European democracies, and in none more than in Great Britain. Mr. Eden, subjected to searching questions in the Commons by spokesmen of all parties, could do little to assuage popular resentment, and he fell back on protestations of horror. The British Government, perhaps bowing to the strength of public resentment, agreed forthwith to use the Navy to protect British merchantmen carrying civil refugees from Bilbao to France, and this again angered both General Franco and his Fascist abettors. At the same time, the London Non-intervention Committee proceeded to ask the opinions of the constituent governments about the proposals of the Scandinavian Powers that French and British warships might protect merchantmen belonging to the non-intervention Powers and carrying the inspectors required by the international supervision system, from molestation outside the 3-mile limit around the coasts of Spain.

III

As May unfolds, the Spanish insurrection drags its slow length along. The policy of non-intervention has certainly been successful, *post tot varios casus*, in securing the supervision, perhaps the isolation, of Spain's European frontiers. But no British citizen need be complacent over the conduct of his Government's foreign policy during the last nine troubled months. If General Franco eventually wins, it will be by German and Italian aid, unprevented by the London Committee's masterly inactivity. If he loses, it will be because Germany has left the onus of supporting Franco against Europe to Italy alone.

In the variations of Fascist mood, in the rise of world raw-material prices, in the internal preoccupations of Italy and Germany, and in the degree of resistance which the Spanish Government's levies are able to display must be sought the reason for

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any eventual failure of Franco or, conversely, the defeat of the Spanish Government. The least likely reason for the success of one and the failure of the other will be the tardy achievements of non-intervention and supervision; for these, like other agreements, can be broken if it suits the totalitarian States.

British public opinion has not altered much in nine months of Spanish tragedy. A vote today would reveal a majority in favor of victory by the Spanish Government, despite its "Red" composition and its irresponsibility. Of course the Right Wing Conservatives up and down Britain, "men of property" (though by no means all such men), still think of General Franco and his Moors as fine, patriotic fellows out to suppress *canaille;* and irrespective of Britain's national interests, they applaud the Italian, German, and Portuguese Fascists for aiding them. But these Right Wing Conservatives are a minority — even perhaps at Westminster.

Certainly the Opposition has been wrong in charging the Government with deliberate partiality to the insurgents. During the last three years the Government has been deliberate in very little. Least of all has it been Machiavellian in favor of General Franco. If any of its actions was Machiavellian, it was the announcement of the vast rearmament program in February. For that coincided with the Italian reverse at Brihuega and the desire of the German Reichswehr to draw out of Spain. Every evidence regarding British policy during the Spanish insurrection shows that the Cabinet has blown alternately hot and cold. It has united on doing nothing and divided on doing something firm; it has been indecisive and worried, fearful and yet in a degree farsighted. Today, it is hard to resist the conclusion that time, and not the British Government, has worked against Franco. But it is equally hard to resist the conclusion that if the British Government has been at all Machiavellian, then in the long run it has been so more against Italy, Germany and their Spanish insurgent client than against the Spanish Government.

Mañana es otro día. The initiative may still lie with the totalitarian Powers of Europe, and they may still use it to seek and make trouble. But the scale of circumstance does seem to be tilting against them. The democratic governments do seem to be beginning to present a stronger front to them. If the growing British armaments embolden the new Cabinet and Prime Minister after the Coronation to take a firmer line in foreign policy, none would welcome it more than the British people themselves.

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REVOLUTIONARY FORCES IN CATALONIA

By Lawrence A. Fernsworth

BARCELONA is breathing again, carrying on after the cruelest episode of street warfare in its history. On May 3 — just a week ago, as these lines are written — workers were in arms against workers, making war on each other from behind stone barricades, from windows, from armored cars in the streets. Today the abandoned barricades stand like stone-age ruins, monuments to the fleeting tragedy.

Only a week or so before May 3 all those forces which in Spain had fundamental notions about the right of man to life, liberty and the pursuit of happiness — Republicans, liberals, peasants and workers alike — seemed united against what they perforce regarded as dark powers sprung from the tomb of dark ages, compounding revolution with sinister forces from outside Spain to crush everything that free man held sacred. On May 3 that common front seemed broken. The workers' solidarity seemed crumbling away. Over in the Basque country the common enemy was cruelly wiping out towns, snuffing out the lives of the innocent, smashing churches and convents, killing their priests and their nuns as it invoked the name of religion. It was slaughtering the Basque workers. It was threatening to come on the morrow to Barcelona. And yet to all this the Catalan workers suddenly seemed oblivious, seemed actuated by passions even deeper than their love of life and freedom. Or was this warfare between workers the result of those same passions reduced to more elemental and concrete modalities? If so, what was their meaning for the future of the broad general struggle against Fascism in Spain?

Before trying to answer these questions let us try to get a picture of the general situation in Catalonia. It will reveal that Catalonia is in some sense a cross section of the Spanish revolutionary movement. Anarcho-Syndicalist, Socialist, Communist and other active elements radiate their influence from Barcelona into the country at large.

II

The "capture" of the Barcelona telephone building by the shock police on the afternoon of May 3 was the spark that touched

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off the tinder of smouldering hates between the Anarchist labor syndicates, known as the C.N.T. (*Confederación Nacional de Trabajo*), and the Socialist labor union, the U.G.T. (*Unión General de Trabajadores*). The C.N.T. is sponsored by the F.A.I. (*Federación Anarquística Ibérica*); the U.G.T., in Catalonia, by the P.S.U.C. (*Partido Socialista Unificado de Cataluña*). The bitternesses between the Anarchists and the Socialists is an old one, dating from the very beginning of "social movements" in Spain. May 3 merely provided a climactic chapter to the story.

Although last September the C.N.T., heretofore "apolitical" and "anti-governmental," took three seats in the Catalan cabinet and made a peace pact with the Socialists, latent fires smouldered too deeply. The peace did not last long. The C.N.T. accused the leaders of the government party, the *Esquerra Republicana*, of being really bourgeois at heart and of preparing at a favorable moment to sabotage the new program for the collectivization of industry and property. It accused the U.G.T. of playing selfish politics with a view to obtaining position and power and of being in league with the *Esquerra* to wreck the revolution. The U.G.T., in turn, accused the Syndicalists of responsibility for disorder and violence in the "rear guard," of sabotaging the war, of harboring elements in league with the common enemy. Both U.G.T. and the *Esquerra* accused the Syndicalists of failing in their pledge to abide by the governmental program which they themselves helped to adopt. Such, in general lines, was the setting of the conflict.

The central Government was concerned because the C.N.T. committees had taken control of Puigcerda and Port Bou, the principal points of entry to Spain from France, and also had possessed themselves of important telephone stations between Valencia and Barcelona, intercepting official messages. Valencia bluntly informed the Catalan Government that such a situation could not continue. The Socialists saw here their chance to bring matters to an issue, and their General Commissioner of Public Order sent the police to seize the telephone building. Matte s were already at white heat due to the assassination, a few days before, of a militant Socialist leader, supposedly by C.N.T. gunmen.

Looking behind the scenes, one finds indications that in the Syndicalist ranks there existed a secret government which did not respect the decisions of their leaders in the cabinet, although perhaps they were in under-cover relations with one or more of

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them. For several days the Syndicalists had been arming. The feeling gained ground that they had decided to force an issue now or never, to set up Syndicalist rule in the region, crushing the Socialists and the *Esquerra*, and even defying the central Spanish Government. The Syndicalists no doubt saw that the Generalitat Government was getting more authority and would soon be able to enforce its decrees. They opposed many of these decrees, such as the municipalizing of public transport (which would take it out of the Syndicalists' hands) and the unification of the forces of public order (which the Syndicalists also had aspirations to control). Moreover, the Syndicalists disliked the building up of a strong military force, feeling that it might be used against them. They also must have sensed that they were growing unpopular and that unless they struck on the first pretext they were lost. So much for a glimpse at the inner mechanics of a revolutionary movement.

III

The attitude of the police in the May 3 affair was significant. Those who intervened were the shock police and the former Civil Guard, now called the Republican National Guard.

After the military rebellion of General Franco began last July, the shock police and that part of the Civil Guard which remained loyal at first threw in their lot with the proletariat and made common cause against the rebels. For a time they doffed their regulation uniforms in favor of blue overalls or some nondescript attire and a forage cap or beret, like any other proletarian *miliciano*. They were hailed as proletarian brothers who had at last realized that they also were of the people and were not to be used as "instruments of oppression." For a time they fraternized with the workers in arms. But the effect was to weaken governmental authority. This was as true of the situation in Madrid and other places in loyal territory as in Barcelona.

After the Madrid Government moved to Valencia it took a firm stand, forbade its police as well as its regular military forces to join any political party or labor union or syndicate, and made them strictly amenable to its orders. That marked a turning point in rehabilitating the Spanish Government's authority. In Almería, in February, an energetic civil governor, Don Marón Díaz, using a small force of sixty shock police together with seamen from the battleship *Jaime I*, held in check and disarmed a horde of desper-

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ados, criminals and demoralized, untrained and dangerous militiamen who had invaded the town after the fall of Malaga, along with some 200,000 *bona fide* civilian refugees. In March the Valencia Government used its shock police to put down a rebellion of the Anarchists' "Iron Column" which was marching on the city from the Teruel front to protest against the Government, order that it be militarized and get into uniform.

But in Barcelona the newly created Order of Proletarian Brother Policemen had not yet been extinguished. The Syndicalists continued to demand that these be "controlled" or "assessed" by workers, and the Catalan Government, although it had emitted decrees in a contrary sense, was too weak to offer opposition. Now, when refractory Syndicalist elements took to their barricades, these again asked the public forces to remember that they too were of the workers, to step aside, to remain neutral. In isolated cases the appeal had some effect. But the general temper and line of conduct of the public forces promptly became well defined. They felt conscious of being the forces of order, and as such they acted. When there were aggressions against them, their sense of solidarity replied. They were the victims of some very barbarous acts, such as when some of their members and shock police were taken from ambulances and killed. That gave the *coup de grâce* to the proletarian brother theory. From that moment they were officers of the law performing their duty with as much energy as the law allowed — and perhaps more. And today in Barcelona, as in the rest of Republican Spain, they again go about in regulation uniforms.

IV

Let us now try to distinguish the principal social elements at work in Catalonia and relate them to the social transformation going on in the rest of Spain.

First of all, in the background are a special class whose sympathies are hardly with the Government and who must have been heartened by the evidence of dissension in its ranks. They are those whose property interests have suffered by the new order — the large landowners whose fields have been divided among the peasants, and the industrialists and capitalists whose profits have ceased. Some of them undoubtedly formed part of the "Fifth Column," which in the rear guard was working in devious ways for the victory of the enemy.

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Next came two forces which are distinctly Catalan, namely the *Rabassaires* or Land Cultivators' Party, and the Separatists who articulate their aspirations through their party, the *Estat Català*.

The peasants' slogan is "The Land for those who cultivate it." For centuries, land hunger has been a dominating passion among Catalan peasants. Peasant revolts constitute several important chapters of Catalan history. First it was the revolt of the slaves, owned body and soul by feudal masters, then the revolt of those who were little better than slaves. The peasants often joined issue with the citizens of Barcelona to rid Catalonia of tyranny, as in 1640 when they drove the Viceroy, the Count of Santa Coloma, into the sea to his death and participated in a horrible massacre of Castilians. In Catalan history the day is called "The Bloody Corpus Christi." The Catalan national anthem is "*Els Segadors*" — "The Reapers." The picture it gives of extreme misery has scarcely corresponded to truth in recent years in the Catalan hinterland, which is far more prosperous than other parts of Spain. But the revolutionary images it calls up are still compelling. Its hate for "monks and young gentlemen with their bellies full" while "we, bending over our fields, dig a pit for our bones," survives. It explains the burning of churches and monasteries on a wide scale more than a hundred years ago in 1835, long before Anarchists and Communists were thought of. The Catalan peasants of today are simply the sons who "reap for themselves."

In the recent revolt, the peasants were allied with the Socialists who supported them in their demand to own and farm as they saw fit the land which they held. The peasants regarded as enemies the Syndicalists who menaced that claim and who would enforce "libertarian communism." In such matters, the Catalan peasant may be regarded as favoring the more moderate policy of the Valencia Government.

The Separatists are the exponents of complete Catalan independence. In their eyes, the central Government and the Syndicalists and the Communists are alike intruders. Their "race spirit" has points of similarity with that of the Germans, although springing rather from ancient convictions than from any ready-made and artificial philosophy. "Catalonia for Catalans" is their motto. Something of the revolutionary spirit of "*Els Segadors*" pervades them too, for they, like all real Catalans, are the sons of peasants and are steeped in peasant tradition. The

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Separatists are not numerous, but they are compact and determined. In the conflict they were on the side of the Catalan Government, inasmuch as they considered the issue one of Catalonia versus Intruders. At the same time, they have far from approved of the Catalan Government in general, which they have accused of temporizing with outsiders and of weakening Catalan prestige.

The *Esquerra* was one of the parties that helped bring the Republic into being. Indeed, it virtually was born with it, for it was organized in haste by Catalans of Republican sympathies on the eve of the April 1931 elections. By all logic it should cast its lot with the Spanish Republic, and so it did. Yet it is imbued with Catalan particularism which rationalizes itself in the formula of Federalism. Which is to say that while it is not separatist, it continuously tries to wangle for Catalonia all the authority and power that it possibly can and maintains the vision of Catalonia as a quasi-sovereign state in confederation with other regions. It recognizes the necessity of Catalonia's union with Spain; and reciprocally it maintains the right to intervene in Spanish national politics. It has always had one or more ministers in the Spanish Government whenever that government was Republican. Indeed, when, in the period 1933 to 1935, things appeared to be going badly for the Republic in the face of Right onslaughts, it justified its claim to being the Republic's most important redoubt. Its members are also sons of peasants and their hymn, too, is "*Els Segadors*." The charge that they have bourgeois tendencies and do not heart-and-soul favor a social order which would completely upset the old one is probably true. Yet from the start they have had advanced social ideas, as shown by the *ley de cultivos* of 1934, which provided a means whereby the cultivator could get ownership of the land he tilled, and by the Catalan statute adopted by the regional parliament in the previous year, which provided for the socialization and municipalization of public utilities and of certain types of industries as part of a future program. The *Esquerra* of course was in the fray on May 3 as a supporter of the government, though fighting also for its own hegemony.

V

What deeper meaning can we attribute to the Anarcho-Syndicalists' action in Catalonia, and to their conflicts there with the Socialists and other Left parties?

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First, some description must be given of the maverick revolutionary party called the P.O.U.M. (*Partido Obrero de Unificación Marxista*), mortal enemy to the Socialists but with certain points of contact with the Syndicalists.[1] The P.O.U.M. represented a union of the former Left (or Trotsky) Communist Party with the Workers' and Peasants' Bloc, founded by the late Joaquin Maurin, killed in Galicia by the rebels. Being strongly *Trotskista*, it claimed to be the exponent of unadulterated Communism and accused Moscow of "reformism" and heresy. It hoped to take a leading part in a world Communist revolution leading to the overthrow of Stalin. The powers in Moscow regarded it with quite as deadly a hate as they did Trotsky himself. The Russian papers pictured it as a Fascist party in disguise, and there is no doubt that Soviet influences were at work in Catalonia to bring about its suppression. Last December, in fact, it was eliminated from the Catalan cabinet at the insistence of the Catalan Socialist Party in agreement with Moscow.

The P.O.U.M. was intransigent and doctrinaire. It had cut out its own pattern into which revolutions should fit; when the Spanish revolution did not fit, it was the revolution that was wrong, not the pattern. It lacked the perspicacity to understand that its particular pattern could never fit Spain. A frank exponent of revolutionary terrorism as "an historic necessity," its tactic was to arouse discontent and to incite workers in other parties to extreme revolutionary action in the hope of creating an "overflow" which would carry the revolution along over all obstructions. In other words, it sought to "overwhelm" other parties by an upsurge of revolutionary zeal among their members. It paid particular attention to the Syndicalists' C.N.T. by encouraging its extremist groups, such as *Las Juventudes Libertarias* (the Libertarian Youth) and *Los Amigos de Durruti* — the friends of Buenaventura Durruti who had organized the first workers' column to march to the Aragon front and who was killed aiding in the defense of Madrid. Indeed, the P.O.U.M. considered the recent Barcelona affair just such an "overflow" as was hoped for, and gloried therein. Although it was distinctly a minority party, its trouble-making capacities in Catalonia were great. It had nuclei in Madrid, Valencia and other parts of Spain, where the same tactics had negative results. This fact is a commentary on

[1] For a detailed study of these parties, see the author's "Mass Movements in Spain," in FOREIGN AFFAIRS, July 1936.

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the difference in temper between the Syndicalists in Catalonia and their brethren elsewhere.

The rivalry between the Syndicalists and the Socialists dates from their beginnings. Madrid was the cradle of Socialism, Barcelona of Anarcho-Syndicalism, and each has been the traditional stronghold of its offspring. The fact sheds light on the particularism of the Catalan Socialist Party, which usually went its own way without paying much attention to the Spanish Socialist Party.

Marxism and Bakuninism appeared simultaneously, though feebly, on the Spanish scene in 1868 after the fall of Isabella, when agents of both wings of the First International went there to organize the workers. There was little response, for in those days the Spanish workers, bending patiently under their burdens, knew little of "social revendications." Nevertheless the seed of anarchy was sown, finding virgin soil in Spanish individualism. Nuclei of the Spanish Federation of the First International were formed, and both Marxists and Bakuninists for a time found a haven therein. But within a few years the Bakuninists excluded the Marxists, and the federation remained a clandestine affair with a small membership.

In 1879 the leader of the Marxists, Pablo Iglesias, a printer revered today as the father of Spanish Socialism, secretly formed the Spanish Socialist Workers' Party. This came into the open at the Congress of Barcelona of 1888, when the U.G.T. was likewise created. In the meantime the Bakuninists had entrenched themselves in Barcelona and through their Anarchist Confederation they formed syndicates and inculcated the workers with the principles of direct action. While the Socialists, established in Madrid, adopted a "quietist" attitude, the Anarcho-Syndicalists were aggressive and thus came under the constant displeasure of the authorities.

The Anarchist's program calls for a confederation of free communes and the collectivization of industry. He argues that the free commune corresponds exactly to popular aspirations and that if individualism is at the bottom of his concept it nevertheless does not exclude a harmonious social organization. He believes that the workers are the most qualified to organize an industry: they know its technique, its details, its diverse needs. The bourgeois régime of private property, he says, offers no concept of production adjusted to the requirements or the rights of

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the masses. "Each one has a right to his share," runs one of his formulae; "the goods of all belong to all and to no one." He draws an idealistic picture of community life which, he says, "begins in the heart of the family, extends to the people and finally envelops the whole world." Federalism, he thinks, assures the rights of the people through and within the free commune, and favors their unity. He desires that each region — such as Catalonia, Galicia and Aragon — organize itself according to its own traditions and wishes. "A concert of wills and intelligences tending towards a life of veritable fraternity, without foreign intromissions which bring on tyranny — that is what we wish," he affirms. These are to exist "within a community of goods necessary to all." More, the true Anarchist is not only a mystic but a moralist. He reveres the family and women. Materialism, mysticism and moralism are combined into his "religion."

Contrasting with the Anarchist's theory of fraternization and peace on earth is his belief in violence, in death to his enemies. Anarchist mysticism takes its extremest and most repellent aspect in the axiom, "Kill without hate." This formula is founded on Bakunin's realistic teachings that there is no way to dislodge the oppressor from the backs of the workers except by killing him. There is no peaceful evolution, no "quietism" about Spanish Anarchists. Their defense of their religion and their earthly gods — for they do not believe in a beyond — assumes most ferocious forms.

This summary of Anarchist philosophy does not explain why the Anarchists' ranks, particularly those of the C.N.T., are filled with hordes of persons who are not true Anarchists — professional revolutionists, gangsters, gunmen and even traitors to the popular cause in the present war. The Valencia organization, recognizing this situation, some time ago ordered a revision of all membership cards. Another feature must be noted. One finds in the Spanish anarchist groups the same kind of decadence and corruption that in other times grew up within religious movements or bodies, and which were purged by such drastic reformers as St. Benedict or Savonarola. Orthodox Anarchists can only rationalize about these: "There are good men and bad in all movements."

These remarks may help explain the Barcelona rising. The Anarcho-Syndicalists felt they were fighting a battle the outcome of which would be either the triumph or the eclipse of their system. In the rest of Republican Spain they had lost ground; Cata-

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lonia was their last stronghold, and unless they could establish their supremacy there, they might miss their "revolutionary moment." They struck at the regional government because it would have liked to dislodge them, and by that act they struck also at the régime in Valencia which refused to temporize in its effort to make them submit to authority. They struck against the Catalan Socialist Party, not only because it was their declared enemy, but because they suspected that, due to its close alliance with the Moscow-inspired Communists, it was in reality obeying the latters' orders to liquidate them, since as enemies of the Soviet system, they represented a potential danger for it. Their Libertarian Youth, who seem to have been incited by the P.O.U.M. (on which Moscow had declared open war), were the most reckless in throwing themselves into the combat. Also in the fray was a small army of professional killers, trained in the technique of direct action.

A split between the moderate C.N.T. elements and the Anarchists is not impossible. Indeed, such a cleavage is already taking place in Valencia, where the Spanish Anarchist organization, the F.A.I., with its own rather violent newspaper, *Nosotros* (occasionally suppressed), stands apart from the C.N.T. and its organ, *La Fragua Social*, which in the main backs the central Government.

There remains to be considered the Catalan Socialist Party. Its position vis-à-vis the P.O.U.M. and the Anarcho-Syndicalists and its relations to the regional government have already been pictured. Its outstanding characteristic seems to be its close understanding with the Moscow Communists. Like the Spanish Socialist Party, it has an alliance with the Communists, whose workers are admitted into the U.G.T. But the suspicion is growing that the bond in Catalonia has been closer than admitted and that what lay behind it was an understanding that Catalonia, when the time came, might become a testing ground for Communism in Western Europe. Meanwhile, the Catalan Socialists gave whole-hearted support to the new socialization and "collectivization" decrees, which its spokesmen heralded as the Magna Charta of a new social order; it supported the Government, upon which it relied for the enforcement of those decrees; and it protected the small bourgeois and property owner, as well as the peasant's right to farm his parcel of land in his own way. Joan Comorera, chief of the Catalan Socialist Party, remarked to me in the course of a conversation: "Spain is heading toward

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a socially-advanced democratic Republic. Our theory is that after the Republic is more firmly established there will be a more complete socialization. But we cannot know precisely what the future holds."

Just how far the Spanish Socialist Party under Largo Caballero and Indalecio Prieto might actually go after the war in the direction of more complete socialization is problematical. What is certain is that today the Party still stands by the principal tenets of the Popular Front agreement made before the 1936 elections, namely that there must be a truly representative and parliamentary government wherein shall be respected the rights and interests of all citizens, including those of Catholics, and that within those limits they are prepared to accept an advanced social program. Should some of the Spanish Socialists wish to go farther, and particularly should they wish to do away with the Constitution and with representative government, a violent clash is to be expected.

In Valencia the two great unions — the C.N.T. and the U.G.T. — are seriously at work on the problem of amalgamating into a single big union in which questions of ideology shall not enter, and wherein the worker shall merely concern himself with the protection of his interests as such. In Catalonia such a single union seems far away. In the country at large, however, there is an increasing tendency of the workers to discuss unification and this is hopeful. Another hopeful sign is the Socialist Youth movement, which envisages the organization of youth without regard to social doctrine or religious belief for collaboration in the social and economic reconstruction of Spain. At a recent congress held in Valencia the tolerance and earnestness which pervaded the meetings were revealing. Particular stress was laid on the right of Catholics to play their rôle in this reconstruction; young Catholics from the war front were present, spoke and received a warm welcome.

The defeat of Fascism seems to the Spanish workers and peasants a necessary phase in their struggle for redemption and freedom. But the Barcelona rising shows that separate creeds and gods still seem important to them also.

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THE PROSPECT OF INFLATION

By Frank D. Graham

PROPHETS of inflation have not been lacking in this country ever since the devaluation of the dollar and the inauguration of the government spending program in 1933. Perhaps in the now not distant future they will receive their meed of tardy, and melancholy, honor. Inflation does seem rather obviously in the offing. But the assertion that the storm will inevitably burst upon us is even yet not completely convincing. There is no doubt, however, that most energetic government measures will be necessary to forestall the danger. These will not be pleasant, either to Congress or the population at large. The vital question is whether or not we have the resolution to see them through. If not, we can count confidently on sufferings much greater than those involved in the heavy taxation urgently required if the danger is to be avoided.

Discussion of the prospect of inflation in the United States is not inappropriate in a review dealing with international relations. The eyes of economists and business men everywhere are on us because of the size of our gold holdings and because of the extent to which economic recovery is a factor in general world recovery. Indeed, under present conditions one can say more correctly that gold is attached to the dollar than that the dollar is attached to gold. The question, then, whether there will be inflation in the United States is of direct concern to all the nations of the world.

In discussing inflation we are encountered at the start with an unfortunate indefiniteness of meaning. If inflation is defined as any expansion of the circulating medium, either absolutely or in comparison with the volume of production and trade, it is already with us and is waxing daily. If, however, we take realized price increases as our sole criterion there is need for some discrimination. Unless we regard as a price inflation *any* rise in the price level above its momentary status, we are at a loss to give the term a precise significance. Yet to regard it in that light is to give it merely casuistical import. In the course of business cycles, under gold standards of the traditional type, there have been more or less regular fluctuations in price levels which necessarily involved a recovery of prices from the low point reached in the

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course of any given cycle. Such would not, in ordinary usage, be regarded as inflation.

Over and above these short cycles in the gold price level there have been constant longer swings. Perhaps fortuitously, these swings in the past century have run for approximately twenty-five years before changing direction. The upward phase can properly be regarded as an inflation, during which the general price level has, from time to time, been multiplied two, three or four-fold relative to its status when the upward movement began.

Finally, we have had unambiguous inflations in countries which have abandoned the gold standard and abused the power to issue currency. These countries have suffered not only an absolute rise in prices but also increases in paper prices relative to prices measured in gold, even when the latter have themselves been moving upward. Sometimes such inflations have been movements that were little, if any, greater than those of the major upward swings in prices expressed in gold, on which they have often been superimposed. Sometimes they have been movements of all but infinite scope. The essentially determining factor has been the degree of restraint or recklessness shown by the fiscal authorities.

Now the rise in prices in this country since 1933 has so far not exceeded the limits of an ordinary cyclical recovery. In early 1933 prices in gold were extremely low on any normal basis. In fact, they were as low as authentic records have ever shown. It was rather generally agreed at the time that a reversal of the sharp downward price trend, which had been in process for several years, was essential to our economic health. The Administration at Washington more or less explicitly set as its goal the restoration of the price level of 1926. That level has not yet been attained. If prices should now cease to rise, or even if the level of 1926 should be surpassed by not more than say 10 percent, we shall not have had inflation in any alarming sense. The question is whether we now are having a mere price recovery or whether this is the beginning of an indefinite upward trend.

The price movement so far has not only been within the limits of cyclical recovery but has borne all the earmarks of a normal cyclical advance. Raw materials and foodstuffs have, as is usual in such cases, played the leading rôle. The improvement in their price has only approximately cancelled the relatively great fall which they suffered during the depression. The sharp increases in the prices of a comparatively limited number of agricultural

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and mining commodities, specially affected by shifts in demand or supply, will probably not be sustained in the face of larger prospective supplies. At the moment of writing, prices have in several instances already slumped, momentarily at least. Though there have been advances in the prices of more fully wrought commodities (attendant upon wage increases recently put into effect), it would be premature to conclude that all this is the inception of an unending and vicious spiral, and that, instead of being a mere cyclical phenomenon, it is the harbinger of substantial and possibly extreme inflation.

The history of inflations, nevertheless, shows that the virus takes hold slowly. The absence at present of any marked evidence of the disease therefore does not give any assurance that the poison is not present in our economic system. The great postwar inflations abroad were not sudden affairs, but were in each case the climax of a steady augmentation of the means of payment over a period of years. The rise in prices was at first negligible in proportion to the increase in the means of payment. It continued to be relatively slight up to the point where popular opinion shifted over from a desire to acquire cash balances to a desire to spend them. Once this point had been reached, prices rose at a much faster rate than the rate of increase in the means of payment and showed a tendency to continue an upward course even in the face of a contraction of the total supply of money. This is readily explicable. The first reaction in the face of possible inflation is one of vague apprehension and a desire for "liquidity." At first there is little more than a desire to be free to act as seems best in some unforeseen eventuality. Only when vague apprehensions are converted into a specific fear of devastating loss in the purchasing power of monetary hoards does net disbursement begin. Then the inflation manifests itself plainly in an upward surge of prices. The process is cumulative, since the shortening interval between disbursements tends to accelerate the rate of monetary turnover. If the period for which wage and other payments are made is shortened, the tendency may be speeded up. Such action is taken in an effort to counteract losses in purchasing power between payments; actually, it is a potent factor in furthering the rise which it is designed to offset.

The hope is sometimes expressed that a buyers' strike would develop in case prices rose too high, and that this would help to prevent a runaway inflation. This hope seems barren. When

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prices have once begun to rise substantially, people are more concerned to obtain goods before prices rise still further than they are to bring about a fall in prices by a spontaneous boycott.

Thus the inflationary process is inherently unstable, and if it is to be kept at all in hand it must be subjected to strong controls well before the necessity for these becomes apparent in the price structure. Strong controls can be exerted only if the authorities dominating the supply of money are themselves strong. The significance of this statement in the case of the United States today is that the Treasury must without delay attain a position in which it can take, or permit, action to restrict the supply of money. Only so can it be the master and not the slave of circumstance. Whatever may be said for the spending policy of the government as a means of priming the pump at the depth of depression, and no matter what defense can be made for the inflationary form of borrowing which was adopted, there simply is no question that once recovery got under way it became urgently necessary to adopt a pay-as-you-go policy. Today we have a degree of business activity which, if precedent can serve as guide, we cannot expect to maintain for any extended period. It is imperative, then, that we do not longer delay in putting the ship in shape to ride out any weather.

We find cause for concern today more in the conditions underlying prices than in the prices themselves. It is not current but future prices that we must consider. What is most needed at the moment is a lively apprehension in governmental circles of the great probability of inflation and the will to take forehanded measures now rather than palliatives later on.

The prospect of inflation can be appraised on the basis of: (a) the existing monetary situation; (b) the potentialities of monetary expansion on the assumption that governmental borrowing from banks is brought to an early close; and (c) the potentialities of monetary expansion on the assumption that governmental borrowing of this inflationary type continues.

The present monetary situation is disquieting. In June 1929, at the peak of the boom, adjusted demand deposits of all member banks of the Federal Reserve System amounted to $16,324,000,000. At the depth of the depression, four years later, they had fallen to $12,089,000,000. From that date to the present there has been an uninterrupted rise. This rise brought the total at the end of 1936 to $21,647,000,000, or 33 percent above the 1929 level. Since

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production and, presumably, sales of commodities are now about what they were in 1929, while wholesale prices are not yet as high, these figures indicate that the rate of deposit turnover is still relatively low. This conclusion is confirmed by more direct estimates. Any widespread fear that inflation was imminent would almost certainly result in a monetary turnover considerably greater than that of 1929, and the further upward movement of prices would be markedly stimulated. The increase in deposits, moreover, has been accompanied by a more than corresponding augmentation in the volume of cash in circulation outside the banks. The advance from the June 1929 figure of $4,026,000,000 to $5,846,000,000 at the end of 1936 is an increase of 45 percent.

The volume of bank deposits is of course very largely a reflection of borrowing. But this is chiefly not business borrowing, which normally rises and falls with business activity, but borrowing by the Government through the sale of government securities to the banks. This is the procedure on which all modern inflations have been based. Unlike borrowing from the investment market, it adds directly to the money supply. The proceeds of these sales of securities are transferred to the recipients of government payments and become their property without any counterclaim of the bank against the holders of the deposits. There is no possibility of a reduction in the volume of these deposits unless the Government begins to repay its debt or unless the banks dispose of a sizable part of their holdings of government securities to private individuals. The prospect that the banks can do this on any large scale without depressing the price of bonds to the point of endangering their own solvency is practically nil.

The holdings of government or government-guaranteed securities by member banks of the Reserve System have more than tripled since 1929 ($4,155,000,000 on June 30 of that year compared to $13,545,000,000 at the close of 1936), and the end of the process is not yet in sight. The recent purchases of government bonds by the Reserve banks permitted the member banks to dispose in this way of a small fraction of their holdings. This involved a shift of member bank assets out of government securities, which cannot be counted as reserves, into deposits with the Federal reserve banks, which do constitute reserves. This process therefore multiplied the inflationary effect by adding to the reserve balances of member banks.

The measures adopted in 1933 and 1934 to increase the avail-

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able reserves of the banks made it easy for them to buy government securities at low interest rates, and the persistent government spending greatly in excess of income has eventually led to a situation in which the banks have no alternative to absorbing further government securities as long as the Government continues to put them out. Demand deposits will correspondingly increase; and, if present reserves and reserve requirements should prove inadequate or inconvenient, they would assuredly be altered under government pressure.

Summing up the immediate situation, we may note that the total volume of means of payment is now much larger than ever before, that it is growing fast, and that there has not been and is not likely to be a corresponding increase in the volume of production. Unless the rate of monetary turnover can be kept down, the current monetary structure is therefore likely to produce a substantial increase in price levels.

Let us now turn to the potentialities of future monetary expansion, on the optimistic assumption that governmental borrowing will be brought to an early close. We come here to the problem of excess reserves. Excess reserves had their origin in the purchase of government securities by the Federal Reserve banks. But for the past several years, until the recent support of the government bond market began, practically no credit has been extended by the Reserve banks to the member institutions either by rediscounting or by open market operations. The growth in reserves in this later period has been almost entirely associated with phenomena over which the Reserve banks had no control, in that they could not refuse to accept cash deposits from member banks. The more important of these phenomena were: (a) the devaluation of the dollar and other currencies; (b) the consequent great expansion in the output of new gold and the persistent drift of gold in enormous volume to the United States; and (c) the Government's silver purchases, with the accompanying issue of redundant silver certificates available directly, or through the currency they displace, as reserve money.

We need deal only with the gold situation. Devaluation raised the dollar value of gold by approximately 70 percent; but the devaluations here and abroad were not accompanied by a proportionate (if any) increase in mining costs. Gold mining, in consequence, became a highly remunerative industry. Abandoned mines again became profitable; then began an intensive search for

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new supplies; and the output of gold was enormously stimulated.

South Africa, the leading producer, took advantage of the opportunity to shift from higher to relatively low-grade ores. Though new mines there are being opened, no very great expansion of production has as yet occurred. Russia, however, has made tremendous advances and Canada has moved forward rapidly. Indeed, nearly all the parts of the earth where gold is available have increased their output greatly. India has released part of its ancient hoards. Probably, too, the Spanish Government, which possessed very large stocks of gold, has disbursed considerable amounts in payment for urgently needed war materials.

From an annual figure of about 24,000,000 ounces in 1932, gold production has risen to something more than 35,000,000 ounces in 1936. And the trend is still sharply upward. The increase of stocks in central bank reserves, or other repositories of monetary gold, has exceeded the total great accessions to gold supplies arising from new production. The United States has been, and still is, receiving gold at a rate about equal to the current output of the whole world. The currency value of the Government's present monetary gold stocks is at present not far short of twelve billion dollars, or nearly three times what it was in 1929.

In an effort to prevent the very great expansion of bank credit which the continued accession of gold would normally involve, the Federal Reserve Board has doubled the reserve ratios required of member banks.[1] More recently the Treasury has been following the policy of keeping imports of gold from entering the banking system at all. To do so it has had to borrow to secure funds to buy the gold and has thus added to its deficit at an average rate of approximately $100,000,000 a month. For this outlay it gets no spendable *quid pro quo* whatever but merely puts the gold back underground in expensive vaults. The Treasury cannot follow this policy for any extended period. The only alternative is to return to the old policy of having the Reserve banks absorb gold imports. The excess reserves of member banks will thereby be increased; and a still further increase in reserve requirements (for which new legislation will be necessary) would be the only way of avoiding an additional inflationary stimulus.

The banking system could carry the gold without any net cost

[1] The gold, in the form of certificates, would ordinarily flow to the Reserve banks in exchange for reserve credit and would increase the ability of member banks to extend credit by about five times the amount of the gold influx, even if the Reserve banks allowed no secondary expansion.

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provided the banks were permitted to expand credit on a mere 1:1 ratio. The Treasury, on the contrary, is now sustaining an unadulterated loss. The banking system, therefore, is clearly the appropriate place for the gold. Not only should the Treasury refrain from buying any more gold, but instead of borrowing it should disburse (in certificate form) the gold which it already possesses, always on condition that the reserves required of member banks are stiffened correspondingly.

Even with the raising of reserve requirements on May 1, 1937, to the present legal limit, excess reserves are now not far from a billion dollars. If we add bank holdings of government securities to the reserves we get a sum approaching 100 percent of the present volume of demand deposits. In these circumstances serious consideration should be given to adopting the plan for 100 percent reserves against demand deposits. Bank holdings of government bonds might be deposited in trust with the Reserve banks in partial fulfilment of the requirement, and the present reserves would practically cover the remainder. The Government, instead of borrowing, could then spend the gold in its possession, and it could borrow, if it must, directly from the Reserve banks without any subsequent pyramiding of credit. This procedure, moreover, would insure that member banks would retain, at the present low interest rates, the government bonds which they now hold. There would be no further need to flood the market with money in order to hold interest rates at inflationary low levels, in the effort to ward off threats to the solvency of the banks now associated with a rise in interest rates and the correlative decline in the capital value of the banks' bond holdings.

What if the law remains unchanged? The existing excess reserves of the member banks will support an increase in the volume of means of payment, without any extension of credit by the Reserve banks, of from four to five billion dollars. Continued imports of gold will steadily expand the potential volume of means of payment unless the Treasury persists in absorbing gold — a policy still more dangerous because of its effects on the budget. If the Reserve banks are called upon to extend credit to support the government bond market, member bank reserves will be still further increased. Even with an early balancing of the budget it will be difficult, therefore, to prevent a very sizable inflation.

The objection may be raised that a sharp rise in prices in this country, unaccompanied by a similar movement abroad, would

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increase the ratio of our imports to our exports, would drain off gold in support of the exchange, and would thus reduce the base of credit and hold inflation within comparatively narrow limits. This objection will occur in particular to those who think that the present gold imports are a reflection of a dollar undervalued in the exchange markets.

After the change in its gold content in 1933–34, the dollar doubtless was undervalued for a time. But the subsequent lowering of the exchange value of the gold bloc currencies, the prior deflation in the gold bloc countries, and the sizable price increases here have probably completely cancelled that undervaluation. Commodity imports into the United States are now running considerably ahead of commodity exports, and the ratio of imports to exports is steadily rising. This is strong, if not conclusive, evidence against the theory that the dollar is undervalued in the exchange markets. Gold is being sent here not primarily as a balancing item in the total of international transactions but rather because there is nowhere else for it to go. The United States is the only important country where the seller can now dispose of gold at a fixed price, without initiative on the part of the buyer. It may soon be impossible to maintain dollar exchange rates by offering gold, since the monetary authorities of the countries of strong exchange may refuse to take it.

We are apparently moving rapidly away from the age-long attitude of an indefinitely expansible demand for gold to a situation in which gold is a drug on the market. It is being dumped on us because no other competent buyer is willing to take it. So long as we maintain our present gold-buying policy — and the repercussions that would mark its abandonment are unpleasant to contemplate — we shall probably continue to receive gold. We are, nevertheless, in a period of uncertainty with respect to the use of gold as money and cannot apply former criteria to the present situation. Almost anything may happen to the value of gold and, if foreign countries continue to show their present reluctance to absorb it, the exchange value of the dollar may decline regardless of our willingness, even eagerness, to export gold. Inflation might then readily develop in this country, quite independently of the movement of prices abroad. Even if inflationary governmental borrowing ceased, the inflation could then proceed to the limits set by our present reserve legislation, without being checked by the disparity between price movements here and abroad.

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But it is futile to discuss how to limit inflation while governmental deficits continue to pile up and the Government is forced to rely on the banks for loans. Under these circumstances there are no restraints which will not be overridden. Monetary history reveals many cases of great inflation where gold reserves in the possession of the monetary authorities were of greater value than the total circulating medium, including demand deposits, at the low value to which the monetary unit had then fallen. The possession of gold has never been a safeguard against any degree of inflation whatsoever unless the gold was used to reduce, or otherwise restrict, the volume of fiduciary means of payment. Under our present procedure, the volume of means of payment is primarily conditioned not by gold but by the Government's deficit. The situation is still within control. But for eight years now we have been running a deficit of the order of $2,000,000,000 annually, most of it covered not by borrowing from savers but by recourse to a method which is merely a refinement of printing money on the presses. We are gambling on the long continuation of high business activity and on the continued receipt of taxes at not less than the present level. If the gamble fails, indefinite and even uncontrollable inflation is by no means out of the question.

We must not forget that a large proportion of government revenues are collected on incomes earned anywhere from one to two years before the taxes accrue. In a rapid upward movement of prices, receipts would therefore automatically decline relative to even the most essential expenditures. The most heroic taxation might then fail to cover current deficits. The situation would be out of hand.

Today the mere hope of a balanced budget is not enough. We must tax, tax heavily, and tax immediately. The dispute as to whether the best way in the future would be to lower exemptions in the income tax or institute a sales tax should be solved, for the current emergency at least, by having resort to both methods. Both are needed, and needed now. Early in his first administration President Roosevelt remarked that liberal governments have often been wrecked on the rocks of loose fiscal policy. We are now within sight of those rocks, and they hold a much greater menace than the President contemplated. The only sane procedure is to make certain at once that revenues more than cover expenditures, and thereby stop inflation at its source.

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THE FUTURE IN RETROSPECT

SPENCER'S HORRID VISION

THE MAN VERSUS THE STATE. By Herbert Spencer. London: Williams and Norgate, 1884.

By Crane Brinton

Herbert Spencer was born at Derby in 1820 of a middle-class family, members of which had often pushed religious and political non-conformity to the point of eccentricity. Even at school he exhibited his intellectual independence in an aversion from "rote-learning and dogmatic statements," an aversion which kept him profoundly ignorant of Latin, though not of the multiplication table. Never what today we should call a socially well-integrated person — how he would have hated the phrase! — he pottered around unsatisfactorily in various engineering and secretarial positions until he was nearly thirty. Then with the publication of "Social Statics" he found his calling: high-class journalism and the writing of essays, ripening into the construction of a grand synthetic philosophy of evolution. He was extraordinarily successful, and was considered by a whole generation to be the foremost champion of modernity, the interpreter to the lay world of the latest pronouncements of science. A vulgar, if quite realistic, measure of the extent to which he was read may be found in the fact that, though he never held an academic appointment nor received any other form of subsidy, and though he had only a very small property of his own, he managed to live for fifty years on the sales of his writings. And the major part of those writings were ten volumes published between 1862 and 1900 under the forbidding title, "A System of Synthetic Philosophy." These dealt with "First Principles" and then with the principles of Biology, Psychology, Sociology, and Ethics.

Spencer's family background, his temperament, and his education all combined to bring out in him to the full that "dissidence of dissent" which gentlemen like Matthew Arnold had so regretted in the English middle classes. Moreover, he grew up and attained maturity at precisely the period when the triumph of Free Trade, the axiomatic acceptance of *laissez-faire* as a law of Nature revealed especially to the English, and the long international peace since Waterloo, made possible an optimistic belief

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in the steady growth of individual liberty. Through Spencer's work there runs an ardent conviction that the individual is always right, the group always wrong; that power, especially political power, always corrupts, and that therefore the state is but a necessary evil; that as men emancipate themselves, government will be less and less necessary; and that finally the state will wither away — this last a striking point of agreement with his Marxian foes. Spencer's hatred for the state came pretty close to anarchism; but the origins of his convictions lie close to the solid individualism of Victorian England.

There was, however, another important strain in Spencer's thought. He had early decided that Science — one must always capitalize the word in dealing with Spencer — was the only possible guide a man of intelligence could adopt. He followed with interest the attempts of Comte and Mill to apply the methods of science to the study of society. Notably from Comte he borrowed the notion of a grand systematization of the sciences, culminating in Sociology. Although not himself a practising laboratory scientist, he followed the progress of the natural sciences closely, and was one of the first to embrace the cause of Darwin on the publication of "The Origin of Species" in 1859. From this moment he pinned his faith on the idea of organic evolution and undertook to interpret the whole history of man in society in terms of Evolution as understood in his generation: accidental variations, struggle for life, natural selection, elimination of unfit stocks, and constant improvement through survival of fit stocks.

In very general terms, the "Synthetic Philosophy" may be summarized as follows: throughout the universe there is a ceaseless redistribution of matter and motion; this movement has a plan, now at last revealed to us through Science; it is a movement from the homogeneous to the heterogeneous, from the simple to the complex: in biology, from the jelly-fish to *homo sapiens;* in sociology, from chaotic savage individualism through the imposition of discipline in the militant society to the final self-discipline of the free industrial society. This distinction between "militant" and "industrial" societies is the key to Spencer's political thinking. The *militant* society imposes authority upon its members, holds them to obedience by force, and by playing on their superstitions keeps them in economic subjection; it is a society designed for war with other societies, and in accordance with the plan of evolution is most effective when most rigidly

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organized along despotic military lines. The *industrial* society, prepared by the rise of traders in a successful, and hence somewhat relaxed, militant society, allows its members freedom to experiment and to enrich themselves, gives free play to the struggle for life among its members and cultivates Science, technology and peace. It is obviously higher in the scale of Evolution than was militant society. By 1860, England and the United States seemed to have emerged from militancy to industrialism, with Western Europe lingering in partial militancy and the rest of the world still pretty well sunk in it.

These ideas were enormously popular. Spencer's contempt for Christianity, his sarcasm about the sporting life of the upper classes, his dislike for Tory prejudices, all kept him from quite becoming a national hero. But everyone in England of radical or even liberal sympathies hailed him as a prophet and seer, and abroad he was known as Byron and Mill had been, as an Englishman who could see well beyond England. Evolution was almost as useful as God had once been; it proved that the Children of the Light would prevail, that hard-working, middle-class business men were the elect, predestined by the cosmic plan to win out over lords, priests, soldiers, academicians, obscurantists and all the pack of has-beens.

Spencer's system had two great holes, quite apart from minor errors of detail. First, it never quite came to grips with an obvious difficulty in the application of Darwin's ideas to politics. Granted that *within a given society* the utmost freedom provides the utmost competition among individuals and hence the utmost degree of beneficent natural selection, how about conflicts *between given societies?* Clearly you cannot run an army on principles of *laissez-faire*, nor even of Liberty, Equality, Fraternity. If industrial England should have to fight militant Prussia, might not the militant down the industrial, the slave beat the free? Where then is your inevitable course of evolution? Spencer was uneasily aware of this difficulty.

Second — and much more fundamental — biology proved to be ill-adapted for the defense of Spencer's fundamental political position. Had he lived in the eighteenth century and turned to physical science in support of individualism, the notions then current of the universe as a mechanism — the "Newtonian world-machine" — would have suited his purpose beautifully, as it suited those of an Holbach or a Bentham. But the biological lead

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in political thought went straight to the famous organic theory: the state, or society, is one great organism, with farmers the muscles, business men the nerves, scientists the brains, and so on (there are dozens of variations of this). The metaphysical implications of this theory are anything but agreeable to the individualist. If society is an organic whole, surely the individual is wholly subordinated to the good of the whole, and Hegel and the Prussians are right after all. You cannot imagine the arm seceding from the body, or the blood cell demanding a writ of *habeas corpus*. Spencer was quite aware of this difficulty on the purely commonsense level, and in the "Sociology" thought he had solved it by declaring that though society is indeed an organism it has no *sensorium*, no central nervous system, or, as less enlightened men might say, no soul. Society as a whole, then, has no purpose, no satisfactions; the individual is the only object with which politics is concerned. The metaphysical difficulty was not as easily solved. One might simply not raise the metaphysical question, but the point is that Spencer's whole underlying attitude does raise such a question, whether he admits it or not. He believed, as metaphysicians and theologians believe, in a cosmology: this was a rigidly determined, mechanical, atomistic universe. In such a universe, the fact of growth fits in very badly. Society is in Spencer's work a contradiction, or at the very least a paradox: it is at once an organism and a fiction, a theory and a metaphor.

It was indeed all very confusing, even, one suspects, to Spencer himself. Moreover, by 1884 the universe itself was not as clearly in line with Evolution as it had been when Spencer began to write. The American Civil War had been a triumph for homogeneity and centralization rather than for heterogeneity and local freedom. Prussia under Prince Bismarck was very successful and very militant; and even in England, eldest child of Evolution, evil agents of a tyrannical government were snooping around private homes — *private*, mind you — to inspect drains and privies. Spencer, now sixty-four years old and an invalid, sat down and wrote four indignant articles in the *Contemporary Review*. In 1884 they were published together with an important "Postscript" in book form as "The Man *versus* the State."

II

"The Man *versus* the State" is a Jeremiad. Its chapter headings are revealing: The New Toryism, The Coming Slavery, The

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Sins of Legislators, The Great Political Superstition. Wherever the author looks in contemporary England, the hydra-headed state is penetrating. Collectivism is supplanting individualism; slavery is overcoming freedom. Liberals in England were once people who believed in removing restraints — feudal, religious, economic — from the free action of Englishmen. Liberals once repealed the Combination Laws, the Test Act, the Corn Laws. Now in 1884 men calling themselves Liberals are not removing but are adding restraints on individual freedom. They are passing factory acts, inspection acts, compulsory education acts, no end of acts. They are really not Liberals at all, says Spencer, but the new Tories. Just as was the case in the evil times of the Middle Ages, men in political power are trying to legislate on every kind of economic activity. But history, as interpreted by evolutionary philosophy, shows that legislators have with surprising regularity made laws that proved either harmful or superfluous. Legislation is an attempt to use "planning" where matters had much better be left to Time and to Nature. (Spencer loathed Latin, or he might have written: *vis medicatrix naturae*.) The sum total of these laws is already so great that England in 1884 is on the threshold of State Socialism. Socialism is slavery, a system wherein no one labors for himself, but only for the state; and the state is in fact the new ruling class, while the bureaucrats are the new feudal overlords.

Collectivism of this sort, Spencer went on, is clearly contrary to the best intentions of Evolution. It presumes a suspension of the natural struggle for life; it rewards fit and unfit equally, which means that the unfit will soon be more numerous than the fit. Men, no longer inspired to work by the prick of competition and by the moral assurance that each will have what he desires, will cease to work except under the whip. They will lose ambition, inventiveness, energy, all the qualities that have flowered in Victorian England. Retrogression will set in, and though our faith in Evolution teaches us that it cannot be permanent, that the majestic march cannot for long be halted, still one would rather not have one's own life spent in such a retrogression.

Still more serious, he continues, is the international situation. While socialism threatens freedom from within the state, militarism threatens it from without. Evolution cannot of course be expected to proceed at an even rate, and it is not surprising that England and the United States are so much more advanced in

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civilization than Germany and France. These latter societies are but emerging from the militant stage, are still ruled by notions of discipline, of reverence for authority, or at any rate by an attitude that the state will do what needs doing. It is unfortunate that England is exposed to such neighbors, for she must fight them partly with their own weapons; and that means adopting militant methods in a society essentially industrial. "While their sentiments and ideas are of kinds which perpetually endanger peace," as Spencer himself writes, "it is requisite that men should have such belief in the authority of government as shall give it adequate coercive power over them for war purposes — a belief in its authority which inevitably, at the same time, gives it coercive power over them for other purposes." In 1884 war seemed inevitable; and war meant that each warring nation must tighten up its discipline, must sacrifice that individual freedom through which alone lay the course of Evolution.

It is hardly surprising that Spencer's "Postscript" should be pessimistic. "Only here and there," he admits, "a solitary citizen may have his creed modified" by a reading of "The Man *versus* the State." Man should be free, and everywhere he seems to be riveting on his own chains. The dilemma would have discouraged a Rousseau; Spencer, facing it, could only assume the rôle of a prophet.

The book was variously received. Many people were content to dismiss it as the fretful complaint of an old man who had already done his work. With the *Westminster Review*, they turned gladly from "Mr. Spencer's cheerless pages" to the posthumous volume of a true representative of forward-looking English liberalism, Arnold Toynbee, unhappily cut off in his promising youth. The Socialists were furious, and Hyndman sprang at once to the counter-attack. Radicals of all shades were hurt at what seemed to them Spencer's abandonment of his earlier sympathies for the working classes. The *Spectator* remarked that "the wheel is indeed come full circle when the author of 'Social Statics' and the prophet of Evolution is become an admirer of the Liberty and Property Defence League, and finds in them the bulwark of liberty," and added that "fetish-worship" of the State was no worse than the "fetish-horror" of it Spencer showed. Nor did those in the conservative tradition at first find welcome for him. The New York *Nation* did remark editorially that "whatever encourages men to believe that their unfavorable conditions are

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to be alleviated by any other means than their own exertions is pernicious," and its reviewer was prompted to the reflection that "the American has, to certain extent, lost his sense of individuality, and is conscious of himself chiefly as one of a crowd" — thus confirming Spencer and anticipating Mr. Sinclair Lewis by almost half a century. Even the *Nation*, however, thought that Spencer was analyzing a merely temporary tendency, and that anything like "communism" was an impossibility.

Before very long, however, the book became a sort of rallying-center for resistance to socialism. Conservatives who once had thought of Spencer as a shocking, godless reformer were delighted to discover through him that Science and Evolution were agreed that socialism not only was undesirable but was also in the long run impossible. Spencer's Tory friends did not bother themselves over the dilemma Spencer himself could not quite dismiss from his mind. They simply neglected his anti-militarism; they pursued no further his short passages insisting on the necessity of international peace, on some sort of international understanding, if *laissez-faire* individualism were to be practical in England. "The Man *versus* the State" became an arsenal of instances and arguments to resist the social and economic legislation urged by the Liberals and by the growing Labor party.

III

The future Spencer foresaw so gloomily is now in part the past. His slavery has come in large areas of the world, and his legislators continue to sin and plan. Some of his phrases have worn smooth with constant use. "Regimentation," a word he used (though sparingly), flows now from any journalist's pen. After fifty years, it should be possible to test Spencer's foresight, to find out whether he predicted as a scientist might, or as a prophet does.

There is no getting around his extraordinary success in predicting certain *facts*. In "The Sins of Legislators" he has an amusing passage in which he cites a Mr. Janson to the effect that between "20 Henry III" (1236) and "35 Victoria" (1872) there were passed 18,110 public acts, of which four-fifths had been repealed by 1872. This proliferation of bills Spencer thought would continue and even increase. It has. Mr. Janson's sum of 18,110 bills seems picayune nowadays, and we are as willing to repeal them as ever. He foresaw stricter building regulations; governmental slum

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clearance and the building of garden villages, against the wisdom of real-estate experts; compulsory, state supported schools; child labor laws; laws actually regulating the labor not only of women and children, but of grown men; compulsory insurance against old age and unemployment; state aid to scientific research, to art, to the theater; tremendously increased taxation to finance "board-schools, free libraries, public museums, baths and wash-houses, recreation-grounds, etc., etc.," and to support the immense group of state employees necessary to run all these. He predicted that the protectionist assault on the sacred fact and theory of Free Trade would continue, and that high tariffs would return to England. He foresaw an increasing scramble for trade and territory among the leading nations of the world, and the rise of what we now know as imperialism. He was certainly one of the numerous people who foresaw the Great War, though he wisely refused to try and date it.

All this is imposing. By all ordinary tests, Spencer seems to have come off very well in his predictions. And yet it is difficult today to read "The Man *versus* the State" without a certain amount of irritation. The book seems perverse, wrong-headed; it seems to foresee but not to understand. You certainly cannot take it up and think yourself still in the world of 1937. It is as much a part of the eighties as a Victorian bustle. Now this feeling may quite possibly arise because Spencer foresaw with perfect accuracy the mud in which we are stuck. By that theory, we are in the midst of his slavery but we will not admit it, even to ourselves. Buried under legislation, we can no longer sympathize with bold free spirits like Spencer, who fought the process so courageously at its beginning. Compulsory, state-supported schools no longer shock us; but does that prove they wouldn't shock free men? We are already, even in the so-called democratic societies, so deep in State Socialism that we cannot sympathize with true individualism.

There are, however, other explanations of the unquestionably archaic flavor in Spencer's predictions, explanations not quite so harmful to our pride, and not quite so simple. Some of them, though they make a real contribution to our total estimate of Spencer, are relatively trivial: his prose style, now very old-fashioned, heavy, unsalted with humor; his temperamental anarchism, which carries *laissez-faire* far beyond the kind of Science he admired so much; his crotchets, the product of a singularly

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unsociable and celibate existence. Spencer held that for a municipality to insist on a houseowner's putting in drains was a shocking tyranny, an act in open defiance of Evolution. He succeeded to his own satisfaction in proving the positive evil of drains, since they spread typhoid and diphtheria: "in Windsor as in Edinburgh, there was absolutely no typhoid in the undrained parts, while it was very fatal in the drained parts." But luckily medicine has not been worried by abstractions like individualism, collectivism, or Evolution. It knows that typhoid germs are not impressed by dogmatic *laissez-faire*. And physicians have fortunately had more influence than Spencer on public health legislation.

These details, important though they are, do not completely explain why Spencer seems today so old-fashioned. The main explanation lies here: Spencer thought of himself as a scientist, and he seems to us hardly a scientist at all, but a preacher and a propagandist. We dismiss him as not really a scientist, not because he was prejudiced, cocksure and obstinate, for many scientists as private persons display all these characteristics. We dismiss him because he carried these traits directly into what he seems to have regarded as scientific thinking.

The simplest of his mistakes in method is very clear in "The Man *versus* the State." It is that of listing facts which accord with a uniformity you wish to prove, *as though a list afforded mathematical proof*. Spencer in "The Sins of Legislators" lists as "bad" one example after another of laws, from an attempt in "35 Edward III" to keep down the price of herrings to Victorian fire insurance laws. By "bad" he undoubtedly means that he doesn't like these laws, and as he disliked *all* laws, his position is really a metaphysical one, and as such will presently be considered. But if one says a "bad" law is a law that doesn't work, and if one properly defines "work," and if one limits one's self to a certain kind of law — say laws regulating trade — in a given society at a given time, and if one is very, very careful, one may arrive at some first approximations of uniformities that are recognizably like the kind of uniformities the natural scientist arrives at. One might, as part of this process, list laws that "worked" and those that didn't. It is very unlikely that one would find, as Spencer did, that one hundred percent failed to "work."

Though Spencer knew a good deal about mathematics and mechanics, he apparently thought society could be understood

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by simpler methods. There is no evidence that he realized the necessity for a scientific — that is, a detached and skeptical — approach to the study of society. His method is the traditional one of the preacher, and resembles in many ways the approach of Carlyle. We can discern the inadequacies of his methods and also get a final glimpse of him as prophet, if we go for a simple comparison to the art or science from which students of man in society can perhaps learn most — namely, medicine. A physician has a patient suffering, let us say, from what used to be called epilepsy — probably not a simple disease, but a group of troubles. Somehow or other he effects a cure. Then, thirty years later, the same patient returns, with a similar group of symptoms. Of one thing you may be sure: the doctor will express neither surprise nor indignation, and will not start belaboring the patient for getting in the way of Evolution. He will certainly look over his records of thirty years earlier, but he will equally certainly not assume that the two cases are identical, or that his treatment of the patient should be identical with that of thirty years before. He will set to work to do his best to cure the patient again.

Now Spencer begins "The Man *versus* the State" with an elaborate parallel between the laws regulating trade in the later Middle Ages and early Tudor period, and the laws regulating trade which were being passed by the "new Tories" of 1884. England is the patient, these laws the disease. After much suffering, the patient was apparently pretty well cured by the early nineteenth century. But now, in 1884, there are abundant signs of the recurrence of the disease. Let us grant Spencer — and it is granting him a great deal — that it is reasonable to regard these laws as a disease, that we ought to try and rid society of them. Even granting this, he comes out very poorly in comparison with the doctor. He curses at the patient, tells him he ought not to have the disease, seems astonished and hurt at the recurrence. Had he had any of the spirit of the true scientist, he must have realized that the appearance of laws regulating trade in the 1880's was a natural phenomenon, and would have asked himself first of all with what other phenomena they were bound up, why they came about. Feebly, at the end of the book, he drags in the notion of the incompletely industrial society, the villains France and Prussia, temporary retrogression, and so on. But these explanations are still hardly more than reviling the patient.

Spencer very much wanted a world in which men should be

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peace-loving, tolerant, self-reliant, self-sustaining, hard-working, simple and unassuming in their tastes, ever building bigger and better machines, factories, railroads, ever extending the frontiers of science; he loathed a world where men fought, boasted, lusted, lorded it over their fellows, or aped them with servility, clung to stupid superstitions and behaved in general as the damned human race has long behaved. He made the transition from what he saw about him to what he wanted to see about him in the way we all do: by metaphysics and theology. His metaphysics was a dogmatic positivism based at bottom on the "Newtonian world-machine," the familiar mechanical cosmology of our grandfathers. His theology was built around a Divine Force, all-powerful, all-knowing, all-good, which he called Evolution. You can measure something of the differences between our cosmology and Spencer's if you recall that between us and him stand relativity and quantum physics, the true importance of Mendel, the rise of anti-intellectualism, of Sorel, Bergson, James and Pareto, the World War and the Great Depression. Spencer seems to us old-fashioned because of his world of values, a world that stands clear in spite of, or rather because of, the scaffolding of "scientific method" with which he surrounds it.

The world of the 1880's was a world which more and more refused to behave the way Spencer wanted it to behave. "The Man *versus* the State" is a pathetic and unwilling recognition of that fact, and an acknowledgment that in the near future the world was probably going to continue to behave even less in accord with his desires. He was, of course, right. But he is none the less dealing in prophecy, not in scientific prediction. The prophet is, in a sense, always right. The Book of Revelation is as reliable today as it ever was. Scientific prediction — prognosis — is as yet, in the social sciences, a practical impossibility. Prophecy, however, is still a very good trade. For the prophet does but remind us that there is a gap between what we want and what we have, between our experience and our ethical, metaphysical, theological abstractions. That gap has been there a long time. Spencer predicted The Coming Slavery; it is here, and we are not even aware of it. We might predict for 1987 The Coming Freedom; it will come, and our grandsons may well writhe under it. For neither slavery nor freedom has here any precise meaning; they are grand, indispensable words, thoroughly worked into the fabric of western society, words which may be tools in hands skilled or

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unskilled — but in the hands of politicians, preachers, teachers, not of scientists. Some day sociologists may know as clearly what they mean by "slavery" as the physiologists, for example, know what they mean by "fatigue." But not yet. Certainly Herbert Spencer did not know, and he has helped us very little on the road to such knowledge. Seen now, after fifty years, "The Man *versus* the State" might almost have been a very long "Letter to *The Times*," signed Britannicus or Pro Bono Publico. It tells us something about Spencer, and something about the world of the 1880's. More important, it tells us that, if men cannot "plan," cannot legislate positively so as to control the future course of society, neither can they exert a negative and restraining influence. They can but humbly inquire, and make a few guesses: all else is vanity, or prophecy.

For the full opaqueness of the future is a matter rather of human sentiments than of social, political, or even economic institutions. You can tell only how you feel, not how your children or grandchildren will feel. Spencer foresaw social security legislation, but he foresaw it with horror and disgust, and his picture of the future — now our present — is falsified because we no longer share his horror and disgust. He was a pessimist about a future which he could not expect to live in, and which was therefore incapable of feeling *exactly his kind of pessimism*. Optimism is no better, and perhaps a worse, guide. Edward Bellamy in "Looking Backward" also predicted quite successfully certain facts, mostly in the field of scientific and industrial achievements. We can, as could the guest in Bellamy's novel, turn a little button in our room and listen to a distant orchestra. But our lives are not the idyls Bellamy's feelings would have made them, any more than they are the complete torture Spencer's feelings would have made them.

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ORIENTAL COMPETITION IN WORLD TRADE

By John E. Orchard

THE rapid expansion of Japan's export trade cannot be dismissed as a temporary phenomenon. It is a part of a major development in the Orient that seems destined to disturb to an even greater degree than at present the economic equilibrium of the leading industrial and commercial nations. It is based upon the more effective utilization of cheap labor, Japan's principal resource for industrialization. It involves a conflict of widely contrasting standards of living. It may foreshadow important shifts in the direction of international trade.

I. ORIENTAL COMPETITION AND THE INDUSTRIAL REVOLUTION

To understand its full implications, Japanese competition must be viewed in its historical setting in the long commercial intercourse of East and West. The present is not the first occasion when Oriental goods produced by cheap labor have entered world markets with disturbing results. An examination of the economic literature of the seventeenth and eighteenth centuries reveals that Oriental competition was one of the more powerful economic forces of that period. There is abundant evidence that it was an important contributing factor in stimulating the invention of the various labor-saving devices that constituted the Industrial Revolution.

In earlier times Oriental living standards and the cost of labor were of little importance in the trade between Asia and Europe, since the principal articles which the West obtained from the East were exotic products such as spices, silks and tea, few of which competed with European products. But early in the seventeenth century the British East India Company — and later the trading companies of other European countries — began to bring manufactured goods from the Orient. Among these commodities were cotton yarn and cotton piece goods, particularly calicoes and muslins, from India; and silk cloth, screens, beds, cabinets, lacquerware and fans from India and China. By the closing decades of the seventeenth century the volume of this trade had increased to such proportions that it was being attacked as the

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principal cause for the distress then prevailing among the industrial population of Europe. Then as now, textiles created the most serious competition. Indian cotton manufactures struck at the very foundation of the British industrial structure — the weaving of woolen cloth. Cotton cloth was not only cheaper but for many uses it was more desirable, and it lent itself to more pleasing patterns and colors. The pamphlets of the time paint grim pictures of idle wool and silk manufacturing towns in England, of silent looms, of laborers wandering about the country seeking work or begging, and of "calico chases" in which the clothing was torn from the backs of women who dared to appear on the streets in the imported fabric.

In 1686 French opposition to the Oriental textiles resulted in a decree prohibiting their importation or their imitation by French manufacturers; and similar acts were passed by the British Parliament in 1700 and 1720. The prohibitive legislation failed to restore prosperity to the British woolen and silk industries, and the distress of the weavers continued. The restrictions which were set up could not aid the sale of British woolens in foreign markets, and in England smuggled calicoes were available in sufficient quantities to meet the demand.

In the pamphlets attacking the Indian and Chinese manufactures, attention was directed mainly to the living standards and the cheap labor of the Orient. Many of the writers of the period pointed out that British goods could be sold only if production costs were lowered, and they singled out labor costs as Great Britain's most serious handicap in the competition with both Oriental and Continental manufactures.[1]

A few of the contemporary writers were able to distinguish between labor costs and wages, and they demonstrated that the labor costs could be cut without reducing wages. An anonymous writer in 1701 contended that the imports from India would be the cause of doing things with less labor through the invention of arts and engines and through better organization of industry and the division of labor.[2] This writer was able to cite many examples of labor-saving devices already in use almost a century before the major accomplishments of the Industrial Revolution.

By the end of the eighteenth century, largely as a result of the many inventions in the textile industry, the factory system had

[1] Charles D'Avenant: "An Essay on the East India Trade," London, 1696.
[2] "Considerations upon the East India Trade," London, 1701.

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become well established in England. The prohibitions against the import of Oriental textiles had been removed and the directors of the East India Company could claim in 1793 that Indian labor was no longer a competitive factor. In support of their claim, they could cite the declining imports of cloth into England and the rapid increase during the previous decade of the raw cotton imports for the Lancashire mills. They could also point out that "every shop offers British muslins for sale equal in appearance and of more elegant patterns than those of India for one-fourth or perhaps more than one-third less in price." In explanation of the lower price of the British product, they could state that "the slow progress of an Indian manufacturer unaided by machinery will require ten, twelve or perhaps fifteen persons to perform the same work which a single British manufacturer can execute assisted as he is by numerous inventions and improvements."[3]

Though the machine and the factory had checked the flow of Oriental goods into England, the advantages were not sufficient to permit British goods to compete immediately in India or China. Machine-made cloth was still inferior to the hand-made cloth of the East, and in Eastern markets its price was higher. In the eighteenth and early nineteenth centuries the East India Company attempted to dispose of British manufacturers in the Orient, but with little success. In the period 1834–42, cotton manufactures amounted to only eight percent of China's imports, but in the decade 1872–81 the product of the Manchester factories had so improved in quality and so diminished in price that cotton manufactures constituted 28 percent of the total imports. Other manufactures were at the same time becoming significant in the China import trade. By 1870 cotton manufactures constituted over 50 percent of the Indian imports.

The machine had finally triumphed over cheap labor, and the destruction of Oriental handicraft economy had begun.

II. THE ORIENT AS A MARKET FOR THE WEST

With the supremacy of the factory in Europe, an outlet for the surplus products of an expanding machine economy became increasingly essential. For at least the past one hundred years, the densely populated countries of the Far East have been an alluring prospect for Western manufacturers. The British Plenipotentiary

[3] Great Britain, Parliamentary Papers, 1793, "Report of the Select Committee of the Court of Directors of the East India Company upon the subject of Cotton Manufacture in this Country."

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who signed the Treaty of Nanking in 1842, which terminated the Opium War and opened a number of ports to British commerce, informed his countrymen that he had opened up to their trade a country so vast "that all the mills in Lancashire could not make stocking stuff enough for one of its provinces."[4] In more recent years, fantastic possibilities of trade have been visualized through the simple expedient of multiplying an added inch to a shirt tail or an extra cigarette by a numerous population. It has been easy to create a tremendous market — on paper; but in reality the trade has fallen far short of such extravagant expectations. Today, despite its vast area and population, the Orient occupies a minor position in the volume of world trade.

The per capita foreign purchases of the three great Asiatic countries are very small in relation to the level of Western countries. For the years 1926–1930 (taken as representative of predepression conditions), the annual per capita imports of China and India averaged $1.77 and $2.42 respectively. For the United States, another large country also capable of supplying many of its needs through internal trade, the per capita imports were $32.79. Japan, a small island country, imported goods valued at slightly less than $15 per capita annually compared with $113 for the United Kingdom, likewise an island nation of limited area.[5]

The trade of the Orient today remains relatively small even when the per capita imports are multiplied by the huge populations. China, with an area of almost two million square miles and a population of about 430 million, imported goods to the average annual value of $763,000,000 (U. S. currency) in the period 1926–30. India, with 1.8 million square miles and over 350 million people, had imports averaging $851,000,000. Even Japan, the Asiatic country which has made the greatest commercial progress, imported goods of an average value of only $963,000,000. In comparison, the Netherlands, one of the smaller countries of Europe, imported each year goods for consumption averaging $1,032,000,000 in value. The three great Asiatic countries hold approximately 40 percent of the world's population. But combined, they account for less than eight percent of the world's total trade.

There are two explanations of the Orient's minor position in

[4] China, Imperial Maritime Customs: "Reports on Trade at the Ports in China Open by Treaty to Foreign Trade, 1866," p. 85.

[5] Trade data in this and following paragraphs are taken from the official trade returns of the countries concerned.

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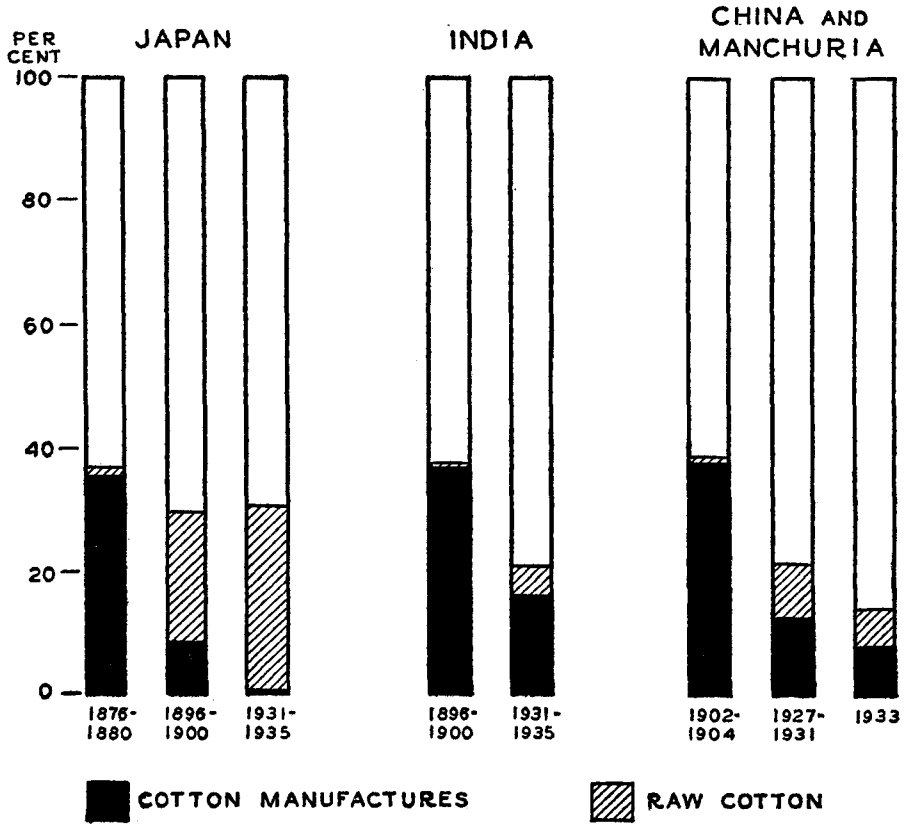
world trade. The more obvious is the low individual purchasing power of a population living very close to the margin of subsistence. But the more significant explanation, and the one not usually recognized, is the existence in the Orient of a going industrial system that for centuries has been supplying the needs for manufactured goods. It was this indigenous economic order with its cheap labor that offered such severe competition to

I. ORIENTAL IMPORTS OF COTTON

Percentages of Total Imports, by Value



European manufacturing prior to the Industrial Revolution. It was this same economic order that for a time successfully opposed the efforts of Western traders to dispose of their manufactured goods in the Oriental markets.

But the pressure has finally become too great, and the old order of handicraft and workshop industries and of primitive methods

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of transport is no longer able to compete with the West. The resulting economic breakdown has disrupted the Oriental countries perhaps even more completely than Oriental competition disturbed European manufacturers in the seventeenth century — a striking fact usually overlooked in discussions of the Yellow Peril. From the chaos there is gradually emerging a new industrial system modeled on modern Occidental lines.

The trade returns of the Oriental countries reveal vividly the economic changes that are occurring in the Far East. Throughout the nineteenth century the imports of cotton yarn and piece goods into these countries continued to increase. In the first years of the twentieth century (as is shown in Chart I), cotton manufactures constituted 39 percent of the imports of China and Manchuria; and they made up 38 percent of India's imports for the five years ending with 1900. By the turn of the century, Japan was developing a cotton industry of her own, and cotton goods represented no more than 8 or 9 percent of Japanese imports, whereas in an earlier period, 1876–1880, they had constituted 36 percent of the total.

Since the beginning of the twentieth century, cotton goods have declined both relatively and absolutely among the imports of all three of the major Asiatic countries. Thus during the five years ending with 1935 they represented less than 17 percent of India's total imports. They accounted for 13 percent of the total imports of China and Manchuria for the five years 1927–1931 (the period just preceding the complications in Chinese trade data arising from the invasion of Manchuria and the wholesale smuggling in North China). In the import trade of Japan, cotton goods had ceased to be of any importance: for 1931–1935 they amounted to less than one percent of the total. The loss of the European countries becomes even more evident when it is noted that an increasing share of the remaining imports of cotton goods into India and China is being supplied by Japan and not by the Western nations. The share of the United Kingdom in India's cotton manufactures had dropped from 95 percent in 1900–1904 to less than 57 percent in 1933–1935, and Japan's share had risen from less than one to 35 percent. During the same period the United Kingdom's portion of the cotton goods imported into China and Manchuria had dropped from 30 to less than 14 percent; while Japan increased her share from 14 to almost 79 percent.

The Western manufacturing nations have not been compen-

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sated for their losses in the cotton trade by any increase in other manufactures. Manufactures now constitute not more than 12 percent of Japan's imports. Raw materials, chiefly cotton, wool and crude iron and steel, account for over 60 percent of the total in recent years. China's leading imports are raw cotton, kerosene, tobacco, wheat and wheat flour. The trend is less marked in the case of India. Manufactures, chiefly cotton piece goods, still continue to constitute the major class of imports, the other principal items being machinery, iron and steel, raw cotton, mineral oils and sugar.

In the three Asiatic countries, there has been a general increase in imports, but it has been due very largely to the increased importation of foodstuffs and raw materials and not to any expansion in the effective demand for foreign manufactured goods. The changing emphasis in the Oriental import trade from manufactures to raw materials is well illustrated in Chart I by the growing importance of raw cotton and by the decline of cotton piece goods.

III. THE INDUSTRIALIZATION OF THE ORIENT

These shifts in trade are clear evidence that the West's supremacy in supplying the Orient with manufactured goods is being seriously challenged. More and more the industrialization of China and India and, to an even greater degree, of Japan, is enabling these countries to meet the domestic demand for manufactured consumers' goods. For a time they may be expected to take from the West increasing quantities of capital goods in the form of machinery and other instruments of production; but as industrialization progresses, such goods will be produced in the Asiatic countries and their imports will emphasize raw materials and foods more heavily. To pay for these imports, the Orient must provide exports, and it is reasonable to expect that the exports will be manufactured goods.

Already the trend in this direction is revealed in the expansion of Japanese exports. In 1922 manufactured goods made up about 35 percent of Japan's total exports; they now amount to around 60 percent. Among the manufactures exported, cotton piece goods have been the most important. The increased sale of these goods abroad has been at the expense of the British textile industry. In 1933 Japanese exports of cotton cloth for the first time exceeded those of Great Britain; by 1936 they had become 41 percent

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greater.[6] The rise of imports from Japan and the decline of those from the United Kingdom have been particularly spectacular in certain countries such as British India and the Netherlands East Indies, as indicated by the following table.

Share of United Kingdom and Japan in cotton piece-goods imports into British India (percent of total value)

	United Kingdom	*Japan*
1923	89.4	7.2
1925	86.8	8.3
1929	75.1	16.5
1931	62.6	29.6
1932	54.3	37.2
1933	56.8	36.9
1935	65.9	30.7

Share of United Kingdom, Japan and Netherlands in cotton piece-goods imports into Netherlands East Indies (percent of total value)

	United Kingdom	*Japan*	*Netherlands*
1923	29.6	14.2	32.4
1925	32.6	20.8	25.5
1929	23.9	27.5	26.9
1931	11.3	43.2	26.2
1932	11.7	52.4	18.5
1933	6.5	74.4	7.0
1935 (est.)	4.0	76.8	15.0

The West can no longer consider the Orient as a passive market. The Far Eastern nations are reaching beyond their own boundaries in search of outlets for their manufactures. They are entering into direct economic rivalry with the West, with results that are in many respects reminiscent of the Oriental competition of the seventeenth and eighteenth centuries.

A variety of factors have contributed to the revival of the Orient as an exporter of manufactured goods, but the most significant are markets, the scarcity of raw materials and the labor supply. With a population of over one billion in southeastern Asia — more than one-half of the world's population — the Oriental countries possess a market in which their proximity in distance and their common cultural background give them a decided advantage over European and American competitors. In raw materials, Asia enjoys no distinctive superiority for manufacturing. In many cases the supply is decidedly deficient, and requirements must be met from outside sources. This scarcity of raw materials, however, will not prevent industrialization; it will direct development into those types of manufacturing in which raw materials are not the determining factor, such as cotton

[6] Exports of cotton piece goods (in millions of square yards):

	United Kingdom	*Japan*
1925	4,436	905
1929	3,672	1,791
1932	2,197	2,032
1933	2,031	2,090
1934	1,994	2,577
1935	1,949	2,725
1936	1,917	2,708

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textiles, rayon and light machinery; it will lead inevitably to an increased export of manufactured products in order to pay for the necessary imports.

Even more fundamental for the progress of industrialization than either markets or raw materials is the labor supply. The most striking feature of the Oriental landscape is the crowding of a dense and increasing agricultural population upon the land. Individual holdings are so minutely divided that the great mass of the people live very close to the margin of subsistence. This relationship of population to area is the basic economic and geographic fact of the Far East. It provides a setting for industrialization very different from that in the West, particularly in the United States, where industrialization occurred in the midst of material plenty and of comparative labor scarcity. Free land was available for the taking and the infant industries have had to compete with agriculture for the limited labor supply. A young man who abandoned the inhospitable soil of New England had the choice of entering a nearby factory or of joining the westward movement toward virgin land. As a consequence, American wages have been maintained at a relatively high level. But in the Orient, industrialization is taking place in the presence of a great and expanding reservoir of potential labor. Agricultural lands are already overcrowded and the population pressure is away from the farm. With a vast population dammed back on the land for centuries by lack of economic opportunity, the standard of living has been pushed lower and lower. Into the new outlet provided by industrialization, an abundant stream of workers is being drawn by the prospect of a wage which, though extremely low in itself, nevertheless is materially higher than the money income to be expected from agriculture.

The differential between Oriental and Occidental wage levels can be easily exaggerated. As regards the individual worker's purchasing power, considerable allowance should be made for differences in price levels and standards of living. Nevertheless, from the standpoint of international competition it is significant that a Japanese cotton spinner receives a daily wage equal to less than one-tenth that of an American spinner and a little more than one-fifth that of a British spinner. The Chinese spinner receives from a twelfth to a sixteenth the American wage, and the Indian spinner about a seventh.

Such a low wage level does not necessarily indicate exploited or

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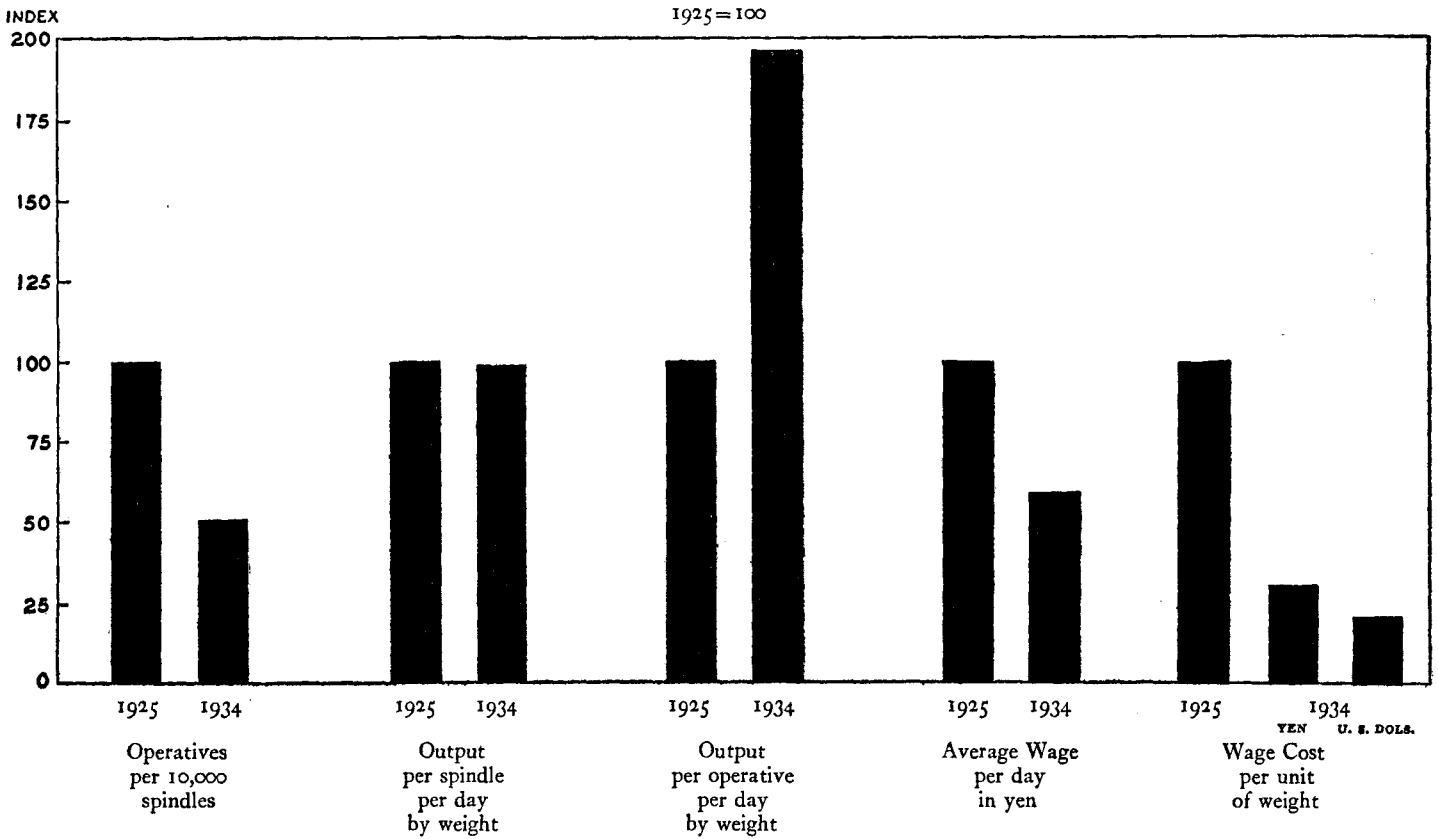
II. JAPANESE COTTON SPINNING: CHANGES IN EFFICIENCY AND WAGE COSTS



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sweated labor, for in general it makes possible an improvement in the living standard of workers coming from the rural areas. Oriental standards of living have been described as low. They are low, but they are also efficient. They most certainly do not provide an abundant life. Nevertheless, they have sufficed through many centuries to support large populations. Requirements have been reduced to a minimum and the demands of the people are limited to a nourishing and economical diet, simple housing and inexpensive cotton clothing. Relative to the amount of money spent, there is a high return in human comfort and in the satisfaction of primary needs. The standards of living compare well with the more elaborate and more costly living standards of the West. These Oriental standards have developed through a dependence on vegetable foods and fibers grown on areas of essentially young and fertile soils in regions where the rainfall is most abundant in the growing season. They are the major competitive factor in the Orient's participation in world trade.

Much of the advantage enjoyed by the Orient as a result of its low living standards is lost through the many deficiencies of the labor supply. Due to its centuries-old agricultural background the population is closely attached to the land and to the village; it turns to the city and to industry with great reluctance. Recruiting has consequently been necessary in order to provide labor for pioneer factories. The labor turnover is high: continual replacement of the workers is necessary, since they are likely after a year or two to return to their villages. Such labor is unskilled in the use of machinery; and adequate training presents a difficult problem. The agricultural background has given the worker a peasant outlook: he does not lack ambition, but he is accustomed to the deliberate pace which he and his ancestors have found adequate for the cultivation of their small tracts of land. He accepts long hours, but he does not take to the increased tempo, the close application and the continuous attention demanded by a machine economy. He is not efficient to the same degree that the American or European factory worker is efficient. Consequently, much more labor is required for a given operation than in the West.

IV. THE INCREASING EFFICIENCY OF ORIENTAL LABOR

But it would be a mistake to assume that these deficiencies of Oriental labor are permanent. They are not inherent qualities. They are evidences of industrial immaturity. They are the marks

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of the agricultural background of the workers, of slovenly management, and of the failure to use modern machinery. They can all be changed. The labor can be trained; its efficiency is being improved; the industrial population is becoming more stable, and the management more effective.

The best evidence of the potentialities of Oriental labor is to be found in the cotton industry of Japan. As a result of more extended familiarity with machine industry, more adequate training and discipline of labor, better organization in the plants, and above all as a result of the installation of modern equipment, the efficiency of the Japanese worker has improved amazingly. The great progress that has been made in recent years is evident in Chart II.[7] In the ten years from 1925 to 1934 the number of spindles per operative doubled and the weight of yarn produced per operative per day increased by 96 percent. Japanese efficiency is still below the standard prevailing in American cotton mills, but it continues to improve. It compares very favorably with the efficiency of British mills, and in some respects it is superior. What has been accomplished in cotton textiles is also being accomplished in other manufacturing industries in Japan; and what has been accomplished in Japan can also be accomplished in China and perhaps in India.

It is the contention of orthodox economists that as efficiency improves in the new industrial countries a rise in the wage rate may be expected to reduce much of the original advantage of cheap labor. In the present case, the striking improvements in the efficiency of Japanese labor have been accomplished without any advance in the wage level. In fact, the stream of labor into Japanese industry from the great reservoir of the agricultural population has become so accelerated that the trend of wage rates has been downward even during the recent industrial expansion. Based on 1926, the index of general wage rates had dropped by October 1936 to 80.6. This drop is very startling when it is noted that much of it occurred during the past five years, a period of depreciating currency when wage rates should have been rising. Prices, both wholesale and retail, have risen with the depreciation of the yen, and the decline in real wages has therefore been even greater than is indicated by the decline in wage rates.[8]

[7] Ratios computed from data published (in Japanese) in the semi-annual reports of the Japan Cotton Spinners' Association for the second half of the years 1925 and 1934.

[8] This statement is based on indices of wage rates and prices as published by the Bank of Japan (Tokyo) and on monthly average quotations of yen exchange from U. S. Federal Reserve Bulletin.

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As a result of the decline in wage rates and the increasing efficiency of the Japanese worker, actual wage costs (in yen) in cotton spinning, per unit of weight, were at the end of 1934 only about 30 percent of what they had been in 1925. After making all proper allowance for dormitory costs, bonuses and other payments supplementary to wages, we find that labor costs in the cotton industry are substantially lower in Japan than in the United States, Great Britain or — probably — any other important manufacturing country.

There are many reasons for believing that there will be no material rise in Oriental wage levels in the near future. There is no effective organization of Oriental labor, because its rural background makes it difficult to organize. The constant labor turnover not only tends to maintain a low wage rate but to reduce it still further. Population continues to increase in all the Asiatic countries and there are indications that in the future the food supply will be produced by the labor of fewer people as a result of improvements in seed selection, the use of commercial fertilizer, the introduction of new crops and new varieties of old crops, and the adoption of some of the simpler types of agricultural machines. The old handicraft by-occupations of the farm and of the village are being destroyed by the products of the factory. As a consequence, there is a growing surplus of labor in the rural areas. It can find few outlets in other countries due to the barriers that have been raised against Oriental immigration. It must turn to modern industry for employment.

This abundant and cheap labor supply is the greatest asset of the Oriental countries in developing their manufacturing industries and in expanding their export of manufactured goods. Once before, cheap labor gave the Orient the competitive advantage over the handicraft manufactures of the West, an advantage destroyed by the machines of Europe's Industrial Revolution. The cheap labor of the Orient and the machines of the West are now being brought together for the first time, and the advantage would appear to be returning to the Far East. The conjunction of these two factors creates a situation of tremendous international significance and raises the question: Can such widely differing living standards continue to exist side by side in a closely knit world economy?

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THE NAZIS IN SCANDINAVIA

By Joachim Joesten

A CORNER stone of the Nazi credo is a mystic belief in the superiority of the Nordic race. In the current Nazi conception, "der nordische Mensch" incarnates everything that is beautiful, strong, noble and pure. He is of handsome stature and shape, with a straight nose and a square chin, dreamy yet steely blue eyes, blond hair and a mailed fist. A gentleman and a hero.

I shall not venture to discuss the highly controversial question whether this fine figure is to be found anywhere in more than sporadic numbers. Instead, I simply state that the most authoritative dogmatists of the Nazi creed have repeatedly pointed to Scandinavia as the true home of the glorious Nordic race. In the September 1936 issue of the German review *Volk und Reich*, for example, the well-known Nazi "geopolitician," Professor (and General) Karl Haushofer, described Sweden as the "ancestral homestead" of the Germans. Another Nazi professor, Gustav Neckel, lecturing in Berlin on "Das Nordische und die deutsche Bildung" (see the *Nordische Rundschau*, Heft 1–2, 1934) explained: "To us Germans, Scandinavia should not appear a foreign land in the same cold sense as do neighboring Latin and Slav countries; there, the German does not have to feel quite abroad, for he is still in *Germanien* . . ." On many occasions, especially in messages to the "Nordische Gesellschaft" (see below) Alfred Rosenberg, Dr. Goebbels and other intellectual leaders of the Third Reich have expressed similar views.

It is pertinent to ask how the Scandinavians themselves respond to a doctrine that allots them so high a place in the hierarchy of human races. Their first reaction is quite naturally a feeling of flattered gratification. Peoples, the same as individuals, like to be held out as paragons to their contemporaries. Scandinavians are no exception. But their second reflection is unpalatable to the German mind. Seeing the Nazi dogmatist so busy establishing the superiority of the Nordic race, they might be tempted to scoff: "How we apples swim!" For, if the propagandists of the Third Reich deign to include Denmark, Sweden and Norway in the privileged section of humanity — of which "Aryan" Germany is of course supposed to represent the pink —

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Scandinavians are equally determined to keep the Nazis out of *their* Nordic world. In Scandinavian eyes, the southern cultural boundary of "the North" runs along the Schleswig frontier between Denmark and Germany. Beyond that boundary lies what to Scandinavian eyes is, in terms of geography, "the South." And they approach it with that half-amused, half-bewildered air of condescension that all over the world Northerners have towards Southerners — towards what appears as the "Wild South" or something of the kind.

Actually it is fantastic to think that the "Nordic" dream-world of the Nazis ever could coincide with the true Nordic conception of life. Scandinavians are individualists to the core, democrats by millenary tradition. As early as the year 1000 a French chronicler was already relating a characteristic episode. A horde of Vikings who had gone ashore in France were questioned by the local bailiff, "Who is your king?" The Vikings replied: "We have no king, we are all equally good."

True, the descendants of these proud Vikings have now been ruled by kings for many centuries, and they are among the most monarchic peoples in the world. Yet the old Viking spirit is still alive. Scandinavians are all equally good, and if they have kings now it is because these learned in good season not to be despots. What a world of difference there is between the broadly individualistic and fundamentally democratic outlook of the truly Nordic nations and the "Führer-Prinzip," the "Kadaver-Gehorsam," of the authoritarian, totalitarian Third Reich! Better than anything else, this one single fact indicates to a Scandinavian that Germany is being ruled today not by Nordic but by Oriental principles.

Again, the Scandinavian peoples are, as everybody knows, pacifists to the core. There is nothing they dislike more heartily than martial airs and bellicose gestures like the goose-step. But they passionately love freedom and independence; and they may be expected — Sweden and Norway at least — to fight desperately if attacked. Peace, freedom, progress and democracy — those four words, now obsolete and outlawed in the Reich, cover the Scandinavian "Weltanschauung."

"I want to declare categorically that the Nazi system has nothing whatever in common with Nordic mentality," exclaimed, in June 1935, the Rector of Copenhagen University, Professor Östrup. And jubilant applause echoed back from the 1,400 stu-

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dents he was addressing. "It may sound quite absurd to Southern thinking," he also said, "but it is a fact, that the Vikings never felt themselves a will-less mass, but always a commonwealth of free men. That is the Nordic spirit. Russia and Germany are now in absolute opposition to the Nordic ideal of society; for they both have reduced man to a mere cog in the state machinery, suppressing all personal freedom." In such terms as those, again and again, the intellectual and political leaders of Scandinavia, supported by an almost unanimous opinion, have made it clear that they will not accept the idea of any "Nordic" system in which Germany sets the pace and sounds the key.

But the Nazi suitor is dauntless. "It is an open secret that we Germans nourish towards the North a strong affection which so far has not awakened there an equally strong love for us. . . . But we are as a nation powerful enough to be able to wait for this response to our love, which is bound to come some day — we are convinced of that!" In these not quite unambiguous terms, the *Schleswig-Holsteinsche Landeszeitung*, official and most important Nazi organ in Germany's northernmost province, gave an outline in November 1936 of German feelings and aspirations with regard to Scandinavia. In other words, the Nazis are well aware that the genuine "Nordics" are very reluctant to accept their leadership. But for reasons much more of a political and economic than of a romantic character, Berlin is set on bringing the Northern countries into her orbit. To achieve this end one may safely expect her to go to any lengths of persuasion, cajolery, intimidation, and, in the last resort, violence. "Und bist du nicht willig — so brauch' ich Gewalt." That is the essence of Nazi courtship in Scandinavia as it is in other parts of the world.

In their attempt to win over or, alternatively, vassalize Scandinavia the Nazis proceed along a triple line of assault.

As in colonial warfare, the advance-guard is made up of native troops, I mean the Scandinavian Nazi parties. Of these there are plenty. The victory of Hitlerism in Germany was bound to bring a general florescence of Nazi groups and factions in Scandinavia. History does not record any major political, social or religious movement originating in Germany which did not produce ramifications in the North.

Soon it became clear, however, that this time the seed had fallen on comparatively barren soil. In fact, nearly all the factors that contributed to the final success of Naziism in the Reich were

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lacking in Scandinavia. There was no lost war, no mass misery, no disgruntled middle class, no Jewish influence, no threat of Bolshevism. The economy and finances of the Nordic states, essentially sound, were just emerging from a comparatively short depression and entering a new period of prosperity. Capitalism, less crassly developed, more prudent and better controlled than in most other countries, had never had the opportunity of playing havoc with the minds and fortunes of people as it had done in Germany.

As a result, many of the Nazi parties founded in Scandinavia were mere ephemera; others still lead a sickly existence, almost entirely dependent on Reich subsidies. An endless succession of splits, fusions, scandals and unpleasant disclosures about finances supplied the final phenomena needed to discredit them in the public eye. Jew-baiting was doomed to failure in countries where the Israelite population averaged one per thousand; and it did far more harm to its initiators than to its victims. A timely ban on uniforms interfered badly with the spectacular efforts made to interest the youth.

In Sweden, there were at one time three Nazi factions of some importance. The oldest was the "Svenska National-Socialistiska Partiet," whose leader, Birger Furugård, began his career as a Nazi agitator as early as 1930. The salute of the party, "Heil Furugård," its favorite slogan "Awaken Sweden!" and its swastika emblem give the measure of its spirit and originality. The party recently merged with its rival, the "Nationalsocialistiska Arbetarepartiet," founded in 1933 by Sven Olav Lindholm (though soon a new split took place). A third group, the so-called National-Socialist Bloc, headed by Colonel Ekström, an exotic adventurer, and Count Eric von Rosen, brother-in-law of General Goering, slowly dwindled out of existence.

In Norway no less than four Nazi or semi-Fascist groups made a bid for leadership, but only one, the "Nasjonal Samling," founded by Major Quisling, ever came out of the embryonic stage. After a short vogue in 1933, when it polled 27,000 votes, the party declined. When finally Quisling's ablest lieutenant, J. B. Hjorth, quit, he left the organization in open deliquescence.

Denmark is still plagued by two rival Nazi factions, the "Danmarks Nationalsocialistiske Arbejder-Parti," the chieftain of which is a medical man, Dr. Fritz Clausen (Bovrup), and the

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"Dansk Socialistisk Parti," headed by an ex-officer, Lieutenant Wilfred Petersen. About a year ago a split occurred in the former group, numerically the more important. This was occasioned by the action of Dr. Clausen — whose main stronghold is North-Schleswig — in concluding a formal alliance with the *German* Nazis operating in that territory with a view to separating it from Denmark!

On balance, it can now be said with certainty that all the Scandinavian Nazi parties have proved hopelessly inefficient and that they are quite unable to make any serious bid for power. Except for occasional terroristic acts such as mauling lone Jews, and occasional kidnapping of Communists, the daubing of public monuments and statues with Nazi symbols, and the methodical disturbance of anti-Nazi lectures and demonstrations, they have never done anything spectacular. They failed invariably at all elections and never got as much as a single representative in any Scandinavian parliament.

Much more serious are the *German* Nazi organizations operating in Scandinavia. In the three countries under review there are large German colonies, especially in Copenhagen (about 4,000) and in Stockholm (about 2,500). There is now a local group of the German Nazi Party in every important center in Scandinavia. The activist elements of this are strictly organized into shock-troops. In each country the local "führers" are placed under the command of a "Landesleiter" or "Landesvertrauensmann" (Norway, Eberhard Günther Kern; Denmark, W. Haupt; Sweden, Heinz Bartels). Until a year and a half ago Herr Bartels exercised a general jurisdiction over the entire group of countries in his quality as "Landesgruppenleiter."

In January 1936 the "Landesgruppe Schweden der NSDAP," which had just rented for its headquarters a sumptuous building at Sveavägen 29, in Stockholm's most fashionable quarter, sent out a call for an all-Scandinavian meeting of Nazi chiefs, to be held on February 1. The letter convoking this rally, the chief purpose of which was to be the organization of a wide anti-Soviet campaign, concluded: "Our local group welcomes heartily to Stockholm its guests from the province and neighboring countries."

This, the Swedish Government thought, was carrying German hospitality on Swedish soil just a little bit too far. Moreover, when it transpired shortly afterwards that the same "Landes-

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gruppe" had used monies collected from Swedish donors to the German "Winterhilfe" to finance Nazi propaganda in Sweden, the Government requested Herr Bartels and two of his lieutenants to leave the country. In spite of virulent Reich protests and reprisals, the expulsion of the "Landesgruppenleiter" was maintained. To avoid similar accidents in future, the German colony in Sweden in February 1937 elected Professor von Euler, a Swedish citizen of German birth, as its "Führer."

In Denmark, the German Nazis have given still more trouble, but the Danish Government has never dared to take action against them. In March 1936, for example, it was revealed that Herr Schäfer, president of the German colony in Copenhagen and leader of the Nazi local group there, had actively engaged in, shall we say, unusual inquiries. He had distributed among his followers a circular letter inquiring the number of motor cars, motor cycles, lorries, etc., which each of them owned. Another of the 37 questions was: "Do you possess a typewriter? Can you write shorthand?" These questions may look innocent on the other side of the Atlantic, but they are not, for in the accepted Nazi jargon a typewriter is a gun and shorthand means shooting. Another of Herr Schäfer's "inquiries" concerned his followers' knowledge of Danish lighthouses, their position and manning, the easiest way to approach them, etc.

A special feature of Nazi activity in Denmark is the extraordinary number of German "newspaper correspondents" dispatched there after the advent of Hitlerism. Many of them had never written a line before they were sent to Copenhagen, but they all had excellent records in the Party service. There are only two or three French and British correspondents in Copenhagen, but there are no less than a dozen Germans. One of them is the inquisitive Herr Schäfer, another is Captain Pflugk-Hartung, the once famous "Vehme-murderer" who killed the Spartacist leader, Karl Liebknecht. For what exact purpose the standardized Nazi press needs to maintain a full dozen correspondents in a small country like Denmark is a mystery which the Danish Government has never solved. In North Schleswig, the German minority runs a half-autonomous organization (membership between 5,000 and 6,000), which, however, keeps in constant touch with the party headquarters in Copenhagen. Of late, the Schleswig Nazis have begun to engage in openly terroristic activities, such as the poisoning of wells (the Stollig case in February 1937), sabotage, the

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boycott of Danish farmers and damage to their estates. Possibly these are a prelude to more serious outbreaks.

The indigenous Nazi parties and the militant German organizations in Scandinavia have the coöperation of a very peculiar institution called the "Nordic Society" ("Nordische Gesellschaft," abbreviated to "N.G."). True, the foundations of this body were laid as early as 1921, but, as its general secretary, Dr. Ernst Timm, declared at a meeting in Weimar last September, "it was not until after the events of the year 1933 that the purpose and mission of the Nordic Society became absolutely clear." Whereas at first the N.G. proposed merely to further cultural and economic relations between Germany and the Scandinavian states, no sooner had the Nazis taken control of the Reich than it was converted into something very different. Today it is the mainspring of all Nazi propaganda in the North.

By structure, purpose and activity the N.G. is now nothing short of a modern "Hanse." It aims to evoke the famous Hanseatic League that in the thirteenth century brought the Baltic under German control. Besides the headquarters in Lübeck and its branch in Berlin ("Nordische Verbindungsstelle"), the N.G. at present runs 30 agencies called "Kontore" (itself a Hanseatic name) which are spread all over the Reich. Abroad, the society appears under less conspicuous names — "Swedish-German," "Danish-German" and "Norwegian-German" societies — but actually these are merely its agencies. The Chairman of the N.G. is Herr Lohse, the Nazi "Gauleiter" and "Oberpräsident" of Schleswig-Holstein. He has the aid (in addition to that of the secretary, Dr. Timm) of an executive body called the "Grosser Rat" on which many of Herr Hitler's most prominent advisers have a seat: Rosenberg, Himmler, Darré, Baldur von Schirach and others. The select nature of this company shows what an important rôle the modern "Hanse" plays in the schemes of the Third Reich.

To judge by the scope of its propaganda work the N.G. is one of the best financed organizations in Germany. Every year it sends out lecturers to Scandinavia, including even Reich ministers (*e.g.* in May 1935 the Führer's deputy, Rudolf Hess, to Stockholm; in April 1937 Count Schwerin-Krosigk, Minister of Finance, to Copenhagen) and brash agitators and propagandists by the hundred. Once a year, generally in June, a great "Nordic Rally" is held in Lübeck, to which many hundreds of

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sympathizers from Scandinavia and Finland are invited as guests. In 1934, the N.G. founded a so-called "German-Nordic Authors' Home" at Travemünde. There every year eight writers (three Germans and five Northerners) are treated to a three-months' free stay and education in Nazi spirit. A "Hanseatic Foundation," established in 1935, awards three literary prizes of 10,000 marks each to meritorious authors. At the annual "Nordic Books Exhibition" in Lübeck, Scandinavian and Finnish conformists with the Nazi rules of writing are honored, recalcitrants banned.

Propaganda in the Scandinavian Press is another task of the N.G. On November 8, 1934, the Swedish *Social-Demokraten* (mouthpiece of the Government) reproduced a confidential circular addressed by the N.G. to German economic organizations, administrative bodies, publishing firms, etc., in which these were urged to influence the Swedish Press more actively, by means of advertising orders. Definite instructions were given as to which papers ought to be favored with advertisements, which should be neglected and which should be boycotted altogether. This was a sensational disclosure, and its accuracy has never been denied.

In recent years, owing to the stubbornly adverse attitude of the Swedish press — the bulk of which the Nazis never could buy — the N.G. has developed a new and less expensive means of propaganda. German business men dealing with Scandinavian firms were exhorted to attach to their ordinary correspondence such pieces of "confidential information" as this: "We understand that a Russian spy named Kiroff has just admitted that a Russian attack against the North Swedish ports on the Atlantic Ocean [the writer meant probably the *Norwegian* port of Narvik] and the important iron-ore deposits in North Sweden is under preparation. . . ." This characteristic specimen and more stuff of the same sort were reproduced in the *Göteborgs Handels-och-Sjöfartstidning* of February 6, 1937.

Hitherto, all the pains taken and all the money spent by the N.G. for propaganda in the Scandinavian countries have proved of no avail. Far from increasing, German influence in Northern Europe is steadily on the decline. Any unprejudiced eye can now see that the advent of Hitlerism in January 1933 opened up a bridgeless chasm, deeper than the Baltic, between Germany and the North.

In the sphere of cultural relations there occurred a sharp drop of German influence. In August 1935, the official *Deutsche Diplo-*

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matisch-Politische Korrespondenz itself had to admit some of the more obvious defeats — a 50 percent drop in the export of German moving pictures and newsreels to Norway; a 30 percent decline in the sale of German books to Denmark and Sweden; a marked drop in the teaching of German — to the benefit of English — in the schools and broadcasting programs of Norway; and so on. These things are very significant.

Politically, Scandinavia responded to the challenge of Hitlerism by voting Labor every year more massively. At the general elections to the Norwegian Storting in October 1933 the Labor Party won 126,000 new votes. In October 1935, the Danish Folketing elections resulted in a Socialist gain of nearly 100,000 votes. Last year, in July, the Socialist vote in Finland swelled by some 40,000. In September, the Swedish Social Democrats scored an increase of no less than 296,000 new votes. Finally, in October, the Norwegian Labor Party bettered its 1933 record by the gain of another 117,000 votes.

Thanks to Herr Hitler, Labor now stands as the dominating factor in all the four Nordic countries, including Finland. That does not indicate, by any manner of means, that Northern Europe is heading for Bolshevism. The large majority of the Scandinavian people have never voted "Red" in any revolutionary sense. They just wished to demonstrate, in face of the ravages of Fascism, that "der nordische Mensch" still holds to a program based on peace, progress, freedom and democracy.

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SUPERVISING THE AMERICAN TRAFFIC IN ARMS

By Joseph C. Green

GOVERNMENTAL supervision and control of the export trade in arms is a new development in American foreign policy. Formerly resorted to only in exceptional circumstances and on a restricted scale, it has now become a regular and continuing function of the Federal Government. Established by the Neutrality Act of August 31, 1935, it has been in operation long enough to make possible a survey of the methods by which it is administered and some indication of its usefulness to the Government in the conduct of foreign relations.

The international traffic in arms, ammunition, and implements of war has definite political implications which differentiate it from ordinary commerce between nations. Every shipment of arms from one country to another is a transaction which may affect international relations and the peace of the world. Realizing these facts, the Government of the United States has since the World War taken a leading part in efforts to negotiate effective international conventions for the regulation of the international traffic in arms. These efforts have so far been unsuccessful, and such regulation of the traffic as now exists results for the most part not from international agreements but from national legislation.

Although the negotiation of an arms traffic convention has for many years been a definite aim of American foreign policy, the United States in its domestic legislation lagged far behind most of the other important nations. Various measures designed to give the Executive some measure of supervision and control over the export of arms were introduced in Congress during the years 1921–34; but, with the exception of two, which were restricted in scope and of limited application, they failed of enactment.[1]

In 1935 there was introduced in both Houses a bill which had the support of the Administration. Its purposes, as explained by a representative of the Department of State who was called to testify before the House Committee on Foreign Affairs, were threefold: first, to enable the Executive branch of the Government, the Congress, and the public to obtain accurate information in regard to American participation in the international

[1] See "Arms Manufacturers and the Public," by J., in FOREIGN AFFAIRS, July 1934.

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traffic in arms; second, to enable the Executive to enforce effectively the restrictions on the exportation of arms already in effect under existing statutes or which might be enacted in the future; and third, to enable the Government to carry out its international obligations should the Convention for the Supervision of the International Trade in Arms and Ammunition and in Implements of War (signed at Geneva on June 17, 1925, and ratified by the President on June 21, 1935) become effective through ratification by the stipulated number of signatories.

The lack of accurate current information in regard to American exports of arms had often proved an embarrassment to the Department of State in dealing with questions relating to the arms traffic. The Department had urgent need of the information which the enactment of this bill would enable it to obtain. Congress had need of the same information in order that it might consider legislation in this field in the light of full knowledge of the facts. Furthermore, it was felt by the Administration that the light of publicity should be thrown upon the traffic in arms. The American people were entitled to information which might be of such vital importance to the nation, and moreover, the publication of this information might serve to correct some of the false impressions in regard to the arms industry in the United States which had resulted from exaggerated and sensational reports current when the bill was under discussion.

The executive branch of the Government had experienced great difficulty in administering the restrictions on the exportation of arms which were at that time in effect under Presidential Proclamations issued pursuant to the Joint Resolutions of January 31, 1922, and May 28, 1934. Under the former Joint Resolution, the President had been authorized to place restrictions upon the exportation of arms to countries in the Western Hemisphere, or to countries in which the United States exercises extraterritorial jurisdiction when conditions of domestic violence existed in those countries. Under the latter, he had been authorized to prohibit the sale of arms to Bolivia and Paraguay, at that time engaged in war in the Chaco. Some exporters of arms were known to have resorted to indirect shipments, falsification of labels and inaccurate statements in customs documents, in order to evade or violate these restrictions. In the absence of a general system of licenses for the export of arms, the Department of State, charged with the issuance of licenses for the export of arms destined to

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countries in respect to which Presidential Proclamations were in effect, and the Treasury Department, charged with the actual supervision of exports through the agency of the customs officers, found it impossible to prevent such evasions and violations of the law; and the Department of Justice encountered great difficulty in prosecuting offenders. Alleged violations of the Chaco Arms Embargo had already caused public scandal.

In the summer of 1935 there seemed to be at least a possibility that the Arms Traffic Convention of 1925 might be ratified by a sufficient number of Powers to make it operative, or that it would be replaced by the Draft Convention which was at that time under discussion in the General Disarmament Conference in Geneva. In the absence of such authority as the bill proposed to confer upon the Executive, the Government of the United States, which had taken a leading part in the negotiation of the Convention of 1925 and which was actively engaged in urging agreement upon the new draft convention, would have been unable to carry out its obligations under either of them.

The bill was carefully considered by the Special Committee of the Senate Investigating the Munitions Industry, by the Senate Committee on Foreign Relations, and by the Committee on Foreign Affairs of the House. The arms manufacturers who had so vociferously and effectively opposed much less drastic legislative proposals in the past were, in 1935, in a chastened mood. None of them opposed the bill and the most prominent among them actually issued a public statement in which he advocated the enactment of such legislation. With slight and unimportant modifications, the bill was incorporated by the Committee on Foreign Relations in a Joint Resolution introduced in the Senate on August 20, 1935. As Section 2 of that Joint Resolution — commonly referred to as the Neutrality Act — it was passed by both Houses after brief debate, and approved by the President on August 31. Section 2 of the Neutrality Act of 1935 was reënacted with a few amendments, suggested by experience in its administration, as Section 5 of the Neutrality Act of May 1, 1937.

The system of supervision and control of the traffic in arms which was thus established is comparatively simple. It places no great burden upon the Government or upon the industry. It is administered by the Secretary of State as Chairman and Executive Officer of the National Munitions Control Board, which is composed of the Secretaries of State, the Treasury, War, the

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Navy, and Commerce. With two important exceptions, the functions of the Board are purely advisory. The responsibility for day-to-day decisions rests exclusively upon the Chairman. All manufacturers, exporters and importers of arms, ammunition, and implements of war are required to register with the Secretary of State and to pay a registration fee; every individual shipment of arms, ammunition, or implements of war exported or imported must be authorized by a license; and the Board must make an annual report to Congress containing full information in regard to certificates of registration and licenses issued.

The duties of the Department of State relating to the international traffic in arms had been increasing in volume and complexity during the years immediately preceding the passage of the Neutrality Act of 1935, and the new duties and responsibilities devolving upon the Department as a result of the passage of that Act made necessary the creation of a new unit within the Department. In September 1935 the Secretary issued a Departmental Order establishing an Office of Arms and Munitions Control. The Chief of that Office was elected Executive Secretary of the National Munitions Control Board.

The first duty of the Board under the law was to agree upon and recommend to the President a list of the articles which should be considered arms, ammunition, and implements of war for the purposes of Section 2 of the Neutrality Act. The Board met and made its recommendation on September 24 and the President proclaimed the list on the following day.

This list was the result of careful study by officials of the Departments represented on the Board and its preparation was a complicated and difficult task. "Arms, ammunition, and implements of war" is not an easy term to define. In addition to many questions of a purely technical nature, the drawing up of a list of articles to be considered for legal purposes as "arms, ammunition, and implements of war" involves a decision on a major question of primary importance. To what extent should such a list include articles which are used for military purposes but have commercial or other non-military uses as well, and what criterion is to be adopted in making a selection among such articles? When the Neutrality Bill was under discussion in the Senate, a senator had asked the question whether "arms, ammunition, and implements of war" could be held to include raw materials. The Chairman of the Committee on Foreign Relations, who was in charge

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of the bill, replied in the negative, stating that the term was intended to designate such articles as those listed in the Arms Traffic Convention of 1925.

The intent of Congress was, therefore, clear, and as the meaning of the term as explained by the Chairman of the Committee on Foreign Relations accorded fully with the meaning which it had acquired in international usage, there was no doubt as to the general nature of the list which the Board was called upon to draw up. Nevertheless, these general directives fell far short of a definite solution of the problem with which the Board was confronted. For the purposes of the law a 14-inch gun was obviously an arm, and a battleship was obviously an implement of war, but was T.N.T., which is used both for military purposes and for ordinary blasting, to be classified as ammunition? Was chlorine, which is chiefly used for the purification of water supplies and which is exported in large quantities from the United States for that purpose, to be classified as an implement of war because of its possible use in warfare as a lethal gas? Were rifle cartridges for military use to be distinguished from cartridges of the same caliber for sporting purposes? What of automobiles, trucks, dynamite, shot guns, .22 caliber rifles? These and innumerable similar questions had to be decided. But the most important and difficult question of all was: Should airplanes and airplane engines be considered implements of war, or should an attempt be made to distinguish among them on some such basis as their design or the use to which they would, in any given case, presumably be put?

In general, the Board solved these questions by omitting from the list articles which were not exclusively or primarily of a military character. Even so, the terms by which the arms, ammunition, and implements of war were described sometimes necessarily included articles which would not have been included had this criterion been rigidly followed. But aircraft of all kinds, aircraft engines, and some of the major component parts of airplanes were explicitly included in the Board's enumeration of implements of war. The decision of the Board in respect to aircraft was its only decision in connection with the defining of arms, ammunition, and implements of war which gave rise to any widespread criticism. In its First Annual Report the Board explained its decision at some length, citing numerous examples to demonstrate the administrative impossibility of distinguishing, for the purposes of the Neutrality Act, between civil and military air-

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craft. This decision has apparently been accepted as conclusive.

In drawing up the list, the Board had also to consider questions of a purely administrative character. An effort was made to designate the articles so clearly that collectors of customs could be left in no doubt as to whether any particular shipment required an export license. Such expressions as "small arms ammunition for military use" were avoided, as the experience of the Department of State, in administering the restrictions on the exportation of arms already in effect, had demonstrated that collectors of customs could not be expected to interpret such an expression when called upon to deal with consignments of cartridges. Such general expressions as "component parts" were avoided because the standardization of mechanical parts is such that collectors of customs could not possibly be expected to distinguish some of the parts of a machine gun or of an airplane engine, for example, from the parts of a typewriter or of an automobile.

The definition of arms, ammunition, and implements of war contained in the Convention of 1925 had been the result of long negotiation and of compromise among conflicting views. In the absence of any other definition of equal authority, it had for a time received more or less general acceptance, but by 1935 it had become antiquated. Various definitions drawn up in various countries for purposes of domestic legislation differed radically from it. The Department of State had altered its definition from time to time in a constant endeavor to find one which would suit its purposes. All in all, the most satisfactory definition and the one which seemed to the Board to require the least modification to make it suitable for use in connection with the licensing provisions of the Neutrality Act, was that contained in the Draft Text of a Convention for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War, prepared by a Committee of the General Disarmament Conference which issued its report on April 12, 1935. With reservations on questions of detail by the delegations of Czechoslovakia, Sweden, Switzerland, and the Soviet Union, and a general reservation by the Japanese delegation, this definition had been agreed to by the representatives of all the Powers represented in the Conference. In its original form, it had been proposed by the American delegation, and the discussions in the Committee for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War had not altered it in any essential respect.

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The National Munitions Control Board adopted this definition with few modifications, and although the President, on the recommendation of the Board, introduced still further modifications in his Proclamations of April 10, 1936, and May 1, 1937, it is still essentially the definition which was proposed to the General Disarmament Conference by the American delegates in 1934.

For reasons relating to the provisions of the Draft Convention, the arms, ammunition, and implements of war enumerated in that document were divided into five categories. The reasons for this division into categories were entirely extraneous to the purposes of the Neutrality Act; but nevertheless, as the categories had already gained some currency in international usage, they were retained by the Board. The number was increased to six by the addition of a new category including substances and appliances for use in chemical warfare; in the President's Proclamation of May 1, 1937, it was raised to seven by the addition of a separate and more comprehensive category to include propellants and high explosives.[2] The list adopted by the Board on September 24,

[2] The list, as it appears in the Proclamation of May 1, 1937, is as follows:

Category I. 1. Rifles and carbines using ammunition in excess of caliber .22, and barrels for those weapons; 2. Machine guns, automatic or autoloading rifles, and machine pistols using ammunition in excess of caliber .22, and barrels for those weapons; 3. Guns, howitzers, and mortars of all calibers, their mountings and barrels; 4. Ammunition in excess of caliber .22 for the arms enumerated under (1) and (2) above, and cartridge cases or bullets for such ammunition; filled and unfilled projectiles for the arms enumerated under (3) above; 5. Grenades, bombs, torpedoes, mines and depth charges, filled or unfilled, and apparatus for their use or discharge; 6. Tanks, military armored vehicles, and armored trains.

Category II. Vessels of war of all kinds, including aircraft carriers and submarines, and armor plate for such vessels.

Category III. 1. Aircraft, unassembled, assembled, or dismantled, both heavier and lighter than air, which are designed, adapted, and intended for aerial combat by the use of machine guns or of artillery or for the carrying and dropping of bombs, or which are equipped with, or which by reason of design or construction are prepared for, any of the appliances referred to in paragraph (2) below; 2. Aerial gun mounts and frames, bomb racks, torpedo carriers, and bomb or torpedo release mechanisms.

Category IV. 1. Revolvers and automatic pistols using ammunition in excess of caliber .22; 2. Ammunition in excess of caliber .22 for the arms enumerated under (1) above, and cartridge cases or bullets for such ammunition.

Category V. 1. Aircraft, unassembled, assembled or dismantled, both heavier and lighter than air, other than those included in Category III; 2. Propellers or air screws, fuselages, hulls, wings, tail units, and under-carriage units; 3. Aircraft engines, unassembled, assembled, or dismantled.

Category VI. 1. Livens projectors and flame throwers; 2. (a) Mustard gas (dichlorethyl sulphide); (b) lewisite (chlorvinyldichlorarsine and dichlordivinylchlorarsine); (c) methyldichlorarsine; (d) diphenylchlorarsine; (e) diphenylcyanarsine; (f) diphenylaminechlorarsine; (g) phenyldichlorarsine; (h) ethyldichlorarsine; (i) phenyldibromarsine; (j) ethyldibromarsine; (k) phosgene; (l) monochlormethylchlorformate; (m) trichlormethylchlorformate (diphosgene); (n) dichlordimethyl Ether; (o) dibromdimethyl Ether; (p) cyanogen Chloride; (q) ethylbromacetate; (r) ethyliodoacetate; (s) brombenzylcyanide; (t) bromacetone; (u) brommethylethyl ketone.

Category VII. 1. Propellant powders; 2. High explosives as follows: (a) Nitrocellulose having a nitrogen content of more than 12%; (b) trinitrotoluene; (c) trinitroxylene; (d) tetryl (trinitro-

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1935, was, with one slight modification, adopted by the Coördination Committee of the League of Nations in October of that year for use in connection with the Italo-Ethiopian War, and in one form or another it has gradually been attaining wider and wider acceptance in domestic legislation throughout the world.

The Secretary of State, in October 1935, promulgated rules and regulations for the enforcement of the provisions of the Neutrality Act relating to the registration of manufacturers, exporters and importers of arms, ammunition, and implements of war, and to the issuance of export and import licenses. These rules and regulations were published by the Department of State in a pamphlet "International Traffic in Arms — Laws and Regulations Administered by the Secretary of State Governing the International Traffic in Arms, Ammunition, and Implements of War and Other Munitions of War." This pamphlet, as the title indicates, contained not only the rules and regulations which the Secretary of State was required by law to promulgate, but also the texts of the pertinent provisions of the laws, treaties and Presidential proclamations relating to the international traffic in arms. The Office of Arms and Munitions Control distributed copies of this pamphlet to all officers of the Government concerned in the administration and enforcement of the laws and regulations and to all persons known or supposed to be engaged in the business of manufacturing, exporting or importing arms, ammunition and implements of war. Second, third and fourth editions of this pamphlet, necessitated by changes in the laws and regulations and by new Presidential proclamations, were issued in November 1935, May 1936, and June 1937. It has proved very useful as a convenient source of information on a highly technical subject.

At the time of the passage of the Neutrality Act of August 31, 1935, no department of the Government was in possession of accurate information in regard to the number of companies engaged in the manufacture and exportation of arms, or in regard to the types of arms manufactured by or dealt in by those who were

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phenol methyl nitramine or tetranitro methylaniline); (e) picric acid; (f) ammonium picrate; (g) trinitroanisol; (h) trinitronaphthalene; (i) tetranitronaphthalene; (j) hexanitrodiphenylamine; (k) pentaerythritetetranitrate (Penthrite or Pentrite); (l) trimethylenetrinitramine (Hexogen or T_4); (m) potassiumnitrate powders (black saltpeter powder); (n) sodium nitrate powders (black soda powder); (o) amatol (mixture of ammonium nitrate and trinitrotoluene); (p) ammonal (mixture of ammonium nitrate, trinitrotoluene, and powdered aluminum, with or without other ingredients); (q) schneiderite (mixture of ammonium nitrate and dinitronaphthalene, with or without other ingredients).

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known to be engaged in their manufacture. In October 1935, the Secretary of State addressed letters to 817 persons and companies, enclosing a copy of the pamphlet, inviting attention to Section 2 of the Neutrality Act, and calling upon them to register in case the business in which they were engaged came within the scope of its provisions. One hundred and fifty-nine persons and companies had by May 1, 1937, registered as manufacturers, exporters or importers of arms, ammunition and implements of war, pursuant to the terms of the Joint Resolution.

There is a fundamental difference between the American system of export licenses for arms, ammunition, and implements of war and the systems of other countries. A provision of the Neutrality Act of August 31, 1935, unaffected by the amendments approved February 29, 1936, and May 1, 1937, reads as follows:

> Licenses shall be issued to persons who have registered as provided for, except in cases of export or import licenses where exportation of arms, ammunition, or implements of war would be in violation of this Act or any other law of the United States, or of a treaty to which the United States is a party, in which cases such licenses shall not be issued.

Thus the authority of the Secretary of State in respect to the issuance of licenses is rigidly determined. He cannot refuse to issue a license which is legally issuable; he must issue a license if it is legally issuable and if it is applied for by a registered exporter, even though the proposed exportation is likely to give rise to embarrassment in the conduct of foreign relations, or is definitely inimical to American interests. His discretion is limited to determining whether or not an application for a license conforms to the regulations governing the submitting of applications, and whether or not the proposed shipment would be in violation of the law. He cannot legally — and in practice he never does — exceed these limitations. Unless some defect in the application requires that it be resubmitted or unless the determination of the legality of the proposed shipment necessarily requires investigation, licenses are issued within a few hours after applications are received by the Office of Arms and Munitions Control.

Occasionally, a prospective exporter who does not desire to stand on his legal right to obtain an export license inquires of the Department whether or not the shipment which he proposes to make would meet with the approval of the Government. Except in rare instances, such inquiries are answered by a mere statement of the pertinent provisions of statutes and treaties. Only in ex-

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ceptional circumstances and in the case of proposed transactions which would demonstrably interfere with his obligations in the conduct of foreign relations, does the Secretary of State express objection, on grounds of policy, to the exportation of arms, and the expression of such objection does not prevent an exporter from obtaining a license if he sees fit to ignore the objection.

In other countries, the licensing authority is almost invariably vested with more or less complete discretion in the issuance of licenses. Licenses are refused not only because a proposed shipment would contravene a statute or a treaty, but also for reasons of financial, commercial, military, or foreign policy.

This distinction between the rigid system in effect in the United States and the more flexible systems in effect in other countries is not thoroughly understood either by the American public or by foreign governments. Organizations and mass meetings have frequently passed resolutions calling upon the Secretary of State to refuse to issue licenses which he would have no legal authority to refuse to issue, and newspapers have frequently criticized him in unmeasured terms for issuing licenses which he was legally bound to issue. In other countries where the executives are accustomed to act with full discretion in determining policy, the issuance of licenses by the Department of State has often been erroneously construed as motivated by considerations of foreign policy.

There is, however, a certain degree of discretion which is inseparable from the performance of any administrative function. Even though the Department of State is furnished by law with a definite criterion by which it is required to decide whether a particular license shall or shall not be issued, some degree of discretion is necessarily involved in the process of applying the law to the facts of particular cases. The Office of Arms and Munitions Control must scrutinize every application for a license, not only to determine whether or not the application blank is correctly filled out, but also to determine whether or not the proposed shipment is permissible under existing treaties and statutes.

One of the most important of the provisions of law which may prevent the issuance of an export license is found in Title I of the Espionage Act of June 15, 1917, which reads in part:

> Whoever, with intent or reason to believe that it is to be used to the injury of the United States or to the advantage of a foreign nation, communicates, delivers, or transmits, or attempts to, or aids or induces another to, communicate, deliver, or transmit, to any foreign government, or to any faction or party

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or military or naval force within a foreign country, whether recognized or unrecognized by the United States, or to any representative, officer, agent, employee, subject, or citizen thereof, either directly or indirectly, any document, writing, code book, signal book, sketch, photograph, photographic negative, blue print, plan, map, model, note, instrument, appliance, or information relating to the national defense, shall be punished by imprisonment for not more than twenty years. . . .

The language of that provision is susceptible of various interpretations. In practice, it has been held to prohibit the issuance of licenses authorizing the exportation of any article which in whole or in part is considered by either the Secretary of War or the Secretary of the Navy to constitute a military secret of interest to the national defense. The Office of Arms and Munitions Control maintains an extensive, elaborate and highly technical catalogue of such articles. This catalogue is based upon decisions of the War Department and of the Navy Department. When an application for an export license contains insufficient technical information to permit the Office to determine whether or not the article which it is proposed to export constitutes or involves a military secret, or when the application requests a license to export some new or modified type of arm, ammunition, or implement of war — and such cases arise with great frequency — the Department of State consults the War Department and the Navy Department and, in accordance with the decisions of those Departments, issues or refuses to issue a license. When the Secretaries of War and of the Navy have waived objection to the exportation of a particular type of arm, ammunition, or implement of war, the above provision of the Espionage Act is no longer held to apply to the exportation of that item to any country.

A Joint Resolution of Congress approved January 31, 1922, authorizes the President to restrict the export of arms to countries in this hemisphere, or to countries in which the United States exercises extraterritorial jurisdiction, in case of domestic violence in those countries. Presidential Proclamations issued pursuant to this Joint Resolution are at present in effect in respect to China, Cuba, Honduras and Nicaragua. Licenses authorizing the exportation to those countries of arms, ammunition, and implements of war are granted only when the Department of State has been informed by the appropriate mission in Washington that the importation has been approved by the country of destination.

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The enactment of Section 2 of the Neutrality Act of August 31, 1935, put an end to a series of apparent violations and attempted violations of the Chaco Arms Embargo, as the establishment of a general system of export licenses for arms, ammunition, and implements of war made it extremely difficult to evade an embargo. A number of these earlier cases of apparent violation of the law have been under investigation by the Department of Justice and have reached various stages in the courts. In one of them — United States *v.* Curtiss Wright Export Corporation, *et al* — the Federal District Court of the Southern District of New York rendered an opinion on March 24, 1936, sustaining demurrers on the ground that congressional delegation to the President of the power to find "that the prohibition of the sale of arms and munitions of war in the United States to the countries now engaged in armed conflict in the Chaco may contribute to the reëstablishment of peace in those countries" was an invalid delegation of legislative power. The demurrers were reargued and the court on April 18, 1936, filed a supplementary opinion adhering to the views expressed in the original opinion. This judgment was appealed directly to the Supreme Court of the United States, and the Supreme Court on December 21, 1936, handed down an opinion by which the judgment of the District Court was reversed and the constitutionality of the Joint Resolution clearly affirmed.

This far-reaching decision established principles of the utmost importance in regard to the authority of the Executive in the conduct of foreign relations. Its importance in connection with the supervision and control of the international traffic in arms can scarcely be exaggerated. Had the opinion of the District Court been sustained, it is difficult to see how it would have been possible for the Federal Government to maintain any effective control of exports of arms from the United States.

Section 1 of the Neutrality Act of August 31, 1935, in its original form read in part as follows:

> That upon the outbreak or during the progress of war between, or among, two or more foreign states the President shall proclaim such fact, and it shall thereafter be unlawful to export arms, ammunition, or implements of war from any place in the United States, or possessions of the United States, to any port of such belligerent states, or to any neutral port for transshipment to, or for the use of, a belligerent country.
>
> The President, by proclamation, shall definitely enumerate the arms, ammunition, or implements of war, the export of which is prohibited by this Act.

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Pursuant to these provisions, the President issued on October 5, 1935, a Proclamation prohibiting the exportation of arms, ammunition or implements of war to Ethiopia and Italy. The expiration of that Section on February 29, 1936, and the enactment on that date of the new Neutrality Act by which the Section was slightly amended, required the issuance of a new Proclamation. That Proclamation remained in effect until it was revoked on June 20, 1936. Therefore, from October 5, 1935, until June 20, 1936, no export licenses were issued for arms, ammunition, or implements of war destined to Ethiopia or Italy.

When civil war broke out in Spain in July 1936 a new and highly profitable potential market was opened to American exporters of arms. There was no provision of law under which the Executive could prevent the exportation of arms to Spain. Not only was the Department of State without authority to refuse to issue the necessary export licenses, but it was compelled by the mandatory provisions of the law to issue them to duly registered applicants. The conditions under which the civil war was being conducted and its possible effect upon the peace of Europe made it obvious that, for reasons of foreign policy, if for no other, the exportation of arms to Spain was contrary to American interests. The Secretary of State informed all prospective exporters that the exportation of arms to Spain was contrary to the policy of the Government, at the same time making it clear to them that if, notwithstanding his objections, they insisted upon applying for export licenses, the licenses would be issued.

It is to the credit of the American arms industry that, with three or four exceptions, manufacturers and exporters were willing in support of the policy of the Government to abstain from entering into contracts and from applying for licenses to carry out transactions which would have been highly profitable. Only two actually insisted upon obtaining the export licenses to which they were legally entitled. One of these licenses was revoked when the exportation of arms to Spain was legally prohibited on January 8, 1937, before the licensee had been able to assemble the arms which he proposed to export; the other was revoked in time to prevent the exportation of all but a small percentage of the arms the exportation of which it authorized.

On January 8, 1937, the President approved the first public resolution of the 75th Congress which had convened only three days before, which reads in part as follows:

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That during the existence of the state of civil strife now obtaining in Spain it shall, from and after the approval of this Resolution be unlawful to export arms, ammunition, or implements of war from any place in the United States, or possessions of the United States, to Spain or to any other foreign country for transshipment to Spain or for use of either of the opposing forces in Spain. Arms, ammunition, or implements of war, the exportation of which is prohibited by this Resolution, are those enumerated in the President's Proclamation No. 2163 of April 10, 1936.

That Joint Resolution is still in effect, although it is to all intents and purposes superseded by the provisions of Section 1 of the Neutrality Act of May 1, 1937, which read:

Whenever the President shall find that a state of civil strife exists in a foreign state and that such civil strife is of a magnitude or is being conducted under such conditions that the export of arms, ammunition, or implements of war from the United States to such foreign state would threaten or endanger the peace of the United States, the President shall proclaim such fact, and it shall thereafter be unlawful to export, or attempt to export, or cause to be exported, arms, ammunition, or implements of war from any place in the United States to such foreign state, or to any neutral state for transshipment to, or for the use of, such foreign state.

The President shall, from time to time by proclamation, definitely enumerate the arms, ammunition, and implements of war, the export of which is prohibited by this section. The arms, ammunition, and implements of war so enumerated shall include those enumerated in the President's proclamation Numbered 2163, of April 10, 1936, but shall not include raw materials or any other articles or materials not of the same general character as those enumerated in the said proclamation, and in the Convention for the Supervision of the International Trade in Arms and Ammunition and in Implements of War, signed at Geneva June 17, 1925.

Immediately after approving this Act, the President issued a Proclamation making it applicable to Spain and enumerating as arms, ammunition, and implements of war a list of articles identical with those enumerated in the Proclamation which he issued at the same time pursuant to Section 5 of the Act.

In the administration of the restrictions and prohibitions imposed on the export of arms to particular countries, the principal difficulty encountered by the Office of Arms and Munitions Control has arisen in connection with shipments which, although ostensibly destined to a country to which the exportation of arms is not subjected to any special restrictions, nevertheless appear to be intended for transshipment to a prohibited destination. The provision of the law, already quoted, which makes it mandatory that licenses shall not be issued when a proposed shipment would

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be in violation of the law, obliges the Office to scrutinize applications for licenses with particular care in order to assure itself that the country named as the destination of the shipment is in fact the ultimate destination. Occasionally a thorough investigation, in which the prospective exporter is often glad to coöperate, is necessary before the license is issued, and in some cases such an investigation has revealed facts which have made it clear that licenses could not be legally issued.

The United States plays a leading part in the international traffic in arms. Although its imports are negligible, it ranks second or third in the value of its exports. The available statistics are not sufficiently accurate or comparable to permit placing the exporting countries in the exact order of their importance.

The Department of State issues a monthly summary giving information as to licenses issued, indicating the categories and the values of the arms covered by those licenses and the countries of destination. The National Munitions Control Board is required by the law to submit annually to Congress a report giving full and detailed information in regard to all licenses issued. From the statistics which have been published, it appears that during the period between November 6, 1935, when the first export licenses were issued under the Neutrality Act, and April 30, 1937, 6,056[3] licenses were issued authorizing the exportation of arms, ammunition, and implements of war to the total value of $43,443,042.64. The principal purchasers during that period were:

China	$8,942,137.72
Argentina	5,241,685.90
Netherlands	2,267,980.62
Netherlands Indies	2,145,477.77
Mexico	2,130,205.34
Turkey	2,070,469.50
Union of Soviet Socialist Republics	1,632,087.33
Canada	1,503,906.35
Great Britain and Northern Ireland	1,479,661.80
Japan	1,363,417.42

Aircraft and aircraft parts compose the majority of the exports as is indicated by the following table showing the categories of arms (see footnote 2) for which export licenses were issued between November 6, 1935, and April 30, 1937:

[3] In this and the following figures deductions have been made for licenses revoked by the Department either on its own initiative or at the request of exporters because of the cancellation or modification of orders.

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Category I	(1)	$ 124,177.18
	(2)	963,910.68
	(3)	232,500.00
	(4)	1,834,189.30
	(5)	810,258.96
	(6)	34,696.00
Category III	(1)	12,037,037.74
	(2)	139,350.23
Category IV	(1)	646,935.69
	(2)	462,791.47
Category V	(1)	14,350,773.91
	(2)	3,317,228.16
	(3)	8,458,098.32
Category VI	(1)	1,095.00
	(2)	30,000.00

The governments of some arms-producing countries have for political or economic reasons deemed it to their interest to stimulate the export trade in arms. The American Government has, however, for several years adopted a policy of disassociating itself from the promotion of the export trade in such articles. American representatives abroad will, when requested by American exporters, their agents or prospective purchasers, follow the same procedure in giving information and advice as they would follow in respect to any other commodity, but they will not endeavor to create trade opportunities for American exporters, nor will they use official channels to communicate inquiries or offers between prospective purchasers and sellers.

It has long been recognized by students of the problem that no effective control of the international traffic in arms can be established except by international agreement. Nevertheless, in the absence of a general international convention of the type which the American Government has made such earnest endeavors to negotiate, the establishment of a measure of supervision and control by domestic legislation has been successful in accomplishing the restricted purposes for which it was designed. The light of publicity has been turned upon the operations of American arms manufacturers, and their transactions are no longer hidden from the Government or from the public; the legal restrictions upon the exportation of arms can now be administered with a degree of efficiency unusual in the enforcement of criminal statutes; and the Government is in a position to fulfill its obligations should an international arms traffic convention become effective.

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CHINA STILL WAITS THE END OF EXTRATERRITORIALITY

By Ching-Chun Wang

WHEN Turkey abolished the capitulations soon after the war China and Egypt were left as the only two nations bound by extraterritoriality. Now that the Montreux Convention has provided for the complete abolition of the Egyptian Capitulations, China has lost her sole companion. Henceforth she will be the only nation bound by the shackles of the ancient system without any definite date of its abolition. The fact naturally intensifies the bitter feelings of the Chinese people; and once again extraterritoriality has become an important and irritating issue between China and the interested Powers.

The story of China's efforts to free herself from extraterritoriality goes back to 1900. Great Britain was the first, in 1902, to agree to relinquish her extraterritorial rights "when she is satisfied that the Chinese laws, the arrangement for their administration and other considerations warrant her in so doing." The next year Japan and the United States made similar noncommittal promises. They of course failed to satisfy China's aspirations.

China raised the extraterritoriality question at Paris in 1919. The Peace Conference was overwhelmed with the postwar problems, and President Wilson had his hands full trying to deliver the League of Nations, repeatedly threatened with a miscarriage. The cry of China was heard but ignored.

The fruitless efforts at Paris disappointed but did not discourage China. At the Washington Conference, therefore, her delegates asked the Powers to take initial steps toward "abolishing the existing system, which is admitted on all hands to be unsatisfactory both to foreigners and Chinese," and urged that a definite date be fixed for such abolition.[1] After considerable discussion the Conference passed a resolution expressing sympathy for China's aspirations and providing for a commission to investigate the practice of extraterritoriality as well as inquire into the laws and their administration in China. This commission, on China's invitation, met in January 1926, and reported in September of the same year. It recommended the release of the old rights gradually as China was able to give proper protection to foreigners and their property. Nothing seems to have been done to carry out this recommendation.

In 1929 China went to try her luck at the League of Nations. Article XIX of the League Covenant provides for the revision of obsolete treaties, and China's delegate proposed that ways and means be found for the application of that article. He did not say a word about extraterritoriality, but evidently he intended to attack the extraterritorial question under the cover of treaty revision, probably by proving that the eighty-year-old extraterritorial treaties are obsolete. The German delegation supported the Chinese proposal heartily, either because it believed in the abolition of extraterritoriality or had some treaties of its own to revise which it thought might be pushed forward in the wake of the Chinese move. But these manœuvres are not an immediate part of our story. After weeks of endeavor and a final threat to create "a serious

[1] W. W. Willoughby, "China at the Conference," p. 116–117.

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situation," the Chinese delegation succeeded in inducing the Assembly to adopt a resolution recognizing that Article XIX of the Covenant gives every member the right to request consideration of any treaty which the member regards as no longer applicable and, hence, dangerous to world peace. But no further steps seem to have been taken at Geneva.

In the meantime China conducted direct negotiations with Great Britain and the United States. As the result of an exchange of notes begun early in 1928, the State Department on August 10, 1929,[2] stated in restrained but conclusive terms that the United States, while sympathetic, could only "participate in negotiations which would have as their object the devising of a method for the gradual relinquishment of extraterritorial rights, either as to designated territorial areas or as to particular kinds of jurisdiction, or as to both, provided that such gradual relinquishment proceeds at the same time as steps are taken and improvements are achieved by the Chinese Government in the enactment and effective enforcement of laws based on modern concepts of jurisprudence."

Feeling this reply could not be the last word, China appealed to the United States a second time, not with more arguments, but rather by laying emphasis on the historical American policy of proffering a helping hand to struggling republics. Replying to this second appeal, Secretary Stimson reiterated the United States' attitude as expressed in the note of August 10.[3] Chinese leaders were naturally disappointed, because they had expected the United States to take the lead as she had done in restoring China's tariff autonomy. But disappointment was not accompanied by any ill feeling, and the Chinese representative at Washington has continued *pourparlers* with the State Department.

The result of China's negotiation with Great Britain[4] concerning the major issue is somewhat similar to that with the United States. Great Britain, however, is in a happier position in the matter of details. Besides voluntarily returning to China the concessions at Amoy, Weihaiwei, Chinkiang, Kiukiang and Hankow, she also agreed that all British subjects residing within the former Kiukiang concession should pay taxes according to Chinese law. Nanking considers these steps most significant and appreciates them highly.

One of the arguments[5] often advanced against the abolition of extraterritoriality is that the administration of Chinese law is subject to the interference of military chiefs, and even of political associations.[6] It must be admitted that to a certain extent this charge is sometimes true; but is China the only country cursed by such interference? Foreigners also charge that if their extraterritorial privileges were removed the Chinese judges would accept bribes and torture would be employed to make innocent persons admit their guilt. In reply, the Chinese retort that it is quite possible that foreign consuls and magistrates take bribes and that the famous "third degree" is not much less hideous than Chinese torture.

With regard to the assertion that there is no government in China, impartial

[2] The text of the American note is published in "The China Year Book, 1929–30," p. 95.

[3] *The New York Times*, December 30, 1929.

[4] The British Note appears in the "China Year Book, 1929–30," p. 908–910.

[5] The arguments against the abolition of extraterritoriality are ably set forth in H. G. W. Woodhead's "Extraterritoriality in China: The Case against Abolition" (Tientsin, 1929).

[6] The British Minister's Note to Nanking, August 10, 1929.

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observers must concede that this charge is no longer tenable. Under the able and enlightened leadership of General Chiang Kai-shek, China's progress towards unification and the restoration of prosperity has been remarkable. The Nanking Government today possesses more prestige and power than any of its predecessors, while the New Life Movement has done much to transform the mentality and outlook of the people. Even biased critics will have to admit that at the present time there is a "real Government" in China. The Chinese contention, in a nutshell, is that Chinese law and courts may be bad in certain respects, but that the laws and courts of some other countries are certainly no better.

Whatever may be the reasons for the delay in abolishing extraterritoriality, one unfortunate effect is that the Chinese are led to question the sincerity of the foreign Powers. In view of Japan's experience, where the foreign Powers hung on to their extraterritorial privileges long after Japan had done all that could be expected of her, and did not actually give up such privileges until three years after the Japanese victory in the Sino-Japanese war of 1895, Young China began to feel that the East cannot expect justice from the West and that China must find a solution by some other means than negotiation.

The immediate result is that Young China has begun to pay an undue amount of attention to the way in which Turkey and Russia got rid of similar shackles. The laws of Russia and their application under the Bolshevik régime did not appear to the Chinese to be much more suited to the nationals of the foreign Powers than the laws of China, if the criticisms of the press of the nations in question had any foundation; yet no demand has been heard from those nations that Russia grant extraterritorial privileges. Young China began to puzzle over this glaring difference in the attitude of the foreign Powers towards Russia and towards China. They are asking whether the difference is due to racial prejudice or to the Red Army, or both.

The case of Turkey is no less striking. For many years, nationals of other Powers enjoyed extraterritoriality in that country, obviously for similar reasons as in China. For years arguments were advanced against relinquishing such special privilege in Turkey; those arguments were identical with those advanced for the same purpose in China. But soon after Kemal drove the Greeks into the Ægean Sea the objections of foreigners in Turkey against Turkish control suddenly disappeared. The indications were, it seems, that the Turkish laws and law courts had been reformed and by some magic had been raised overnight to the level of the laws and courts of all modern nations. Indeed, the Treaty of Lausanne, which ended extraterritoriality in Turkey, was actually signed three years before the promulgation of Turkey's new codes.

Now that Egypt, Persia and Siam have got rid of extraterritoriality, and with the cases of Turkey and Russia vividly in mind, the Chinese feel increasingly humiliated by the fact that their country remains the only one in the world subject to this nineteenth century bondage. They become impatient as they wait for all the slow-moving vested interests involved to pass a unanimously favorable judgment on Chinese jurisprudence. In so far as extraterritoriality is unilateral in character, they conclude that it must require unilateral action for its removal.

After much deliberation, the Chinese Government issued a mandate on

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December 28, 1929, to the effect that beginning January 1, 1930, "all foreigners in China, who are now enjoying extraterritorial privileges, shall abide by the laws, ordinances, regulations duly promulgated by the central and local governments of China." The mandate also ordered the Executive and Judicial Departments to prepare, as soon as possible, a plan to execute this mandate.

Though long expected, this measure created a mingled feeling of dismay and indignation among a considerable number of foreigners in China. France at once lodged a protest against the execution of the mandate. Washington also recognized that a serious question had arisen, but deprecated suggestions that gunboats might have to be employed to enforce extraterritoriality. Great Britain took a similar attitude and informed the Chinese Minister in London (January 1, 1930) that she was willing "to agree that January 1 should be treated as the date from which the process of the gradual abolition of extraterritoriality should be regarded as having commenced in principle." In spite of cynical comments in the British press, China seems to have liked this reply.

There is no denying that the Chinese Government seriously contemplated unilateral abolition, and that it was only at the last moment that Nanking removed the "teeth" of the mandate. Evidently they did so because they were eager to avoid unpleasantness. But clearly the milder course was adopted reluctantly. The writing on the wall seems quite clear. If the Powers move too slowly, they may yet be confronted with an ending of the system by China's denunciation of the extraterritoriality clauses in the treaties.

In spite of internal difficulties and external opposition, China has made much progress toward the goal of freeing herself of extraterritoriality. The first God-sent opportunity came when Germany, Austria and Hungary negotiated new treaties with China after the war. A second opportunity arrived when the Soviet Government approached her for the purpose of replacing the old Tsarist treaties. These nations understood perfectly China's attitude in such matters, and hence did not waste any time in asking for the extraterritorial privileges which they had enjoyed before the war. Treaties on the general principle of equality and reciprocity were therefore soon concluded. Then followed the new treaties with a number of South American and newborn nations of Europe which, as a matter of course, claimed no extraterritorial rights.[7] A number of other nations, such as Turkey, Cuba, Uruguay, Panama, Hungary and Bulgaria, are also conducting their business in China without extraterritorial privileges; while Mexico, whose treaty concerning extraterritoriality expired in 1928, declared on November 12, 1929, that she "has no intention . . . to demand in the future extraterritorial privileges." To this group of nations without extraterritorial rights, must be added a second group,[8] such as Belgium, Italy, Spain, Denmark, Portugal, Norway, Sweden and Switzerland, which still enjoy such privileges, but agree to surrender them as soon as "all the other Powers will do so."

Thus, out of a total of thirty-one nations having diplomatic relations with China, only six — Brazil, France, Great Britain, Japan, the Netherlands, and

[7] These include Bolivia, Chile, Czechoslovakia, Finland, Greece, Persia and Poland.

[8] Treaties with Belgium, Denmark, Italy, Portugal and Spain were signed in 1928. Agreements to relinquish extraterritoriality were signed by Sweden and Switzerland in 1908 and 1918 respectively. Norway in a note dated August 14, 1929, declared she "is prepared to abolish the same [extraterritoriality] when all the other Treaty Powers will do so."

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the United States — are left in the third camp. Of course, the interests of this small group of nations which seem disinclined to give up special privileges are considerably larger than the interests of the other nations. Nevertheless, the fact that four-fifths of a total of thirty-one nations are willing to give up such privileges is, in itself, significant. Another encouraging fact is that the nationals of the countries without extraterritoriality, *e.g.* Russians, Germans and Austrians, seem to be getting along smoothly in China, and that their experiences under Chinese law during the last twenty years have not justified the horrible predictions of conservative elements.

Once either Great Britain or the United States decides to show the same generosity as was shown in the case of the tariff restrictions on China, then extraterritoriality will end. It is not likely that either will long hold out if the other gives in; and the moment the Big Two lead the way, the rest in camp three — Brazil, France, Japan and the Netherlands — will surely follow.

Another favorable factor is that, since 1907, China has been making steady reforms in her judicial system. Under such able leaders as Dr. Wang Chung-hui and Dr. Sun Fo, the Legislative Yuan has done much in the way of modernizing Chinese law and law courts. The penal code, the penal procedure and the civil procedure codes have been promulgated. Company laws and laws concerning commerce, mining, copyright and patents, prison administration and navigation have all been revised. Over 150 modern law courts have been established (including a supreme court) which have given general satisfaction. Reforms in prison administration have also been going on steadily. Over 100 modern prisons, with room for 4,000 convicts, have been established in various parts of the country, while more are being remodelled every year.

While it is a matter of opinion as to whether or not China's laws and their administration have attained the standards to which they are expected to conform, it is impossible to deny that great progress has been made. China's severest critics admit this.

With the whole picture before us, we can see that there is much to be said both for and against the abolition of extraterritoriality in China. The Chinese, while feeling the system a direct infringement of their nation's sovereignty, nevertheless must remember that the fault for its introduction does not entirely rest on the nations which claim privileges under it. Young China must realize that disorder and recurring civil wars have perhaps as much to do as foreign opposition in preventing the abolition of extraterritoriality, and that a strong, united government will provide a shorter cut to China's goal than the elaboration of anti-imperialist slogans. The Chinese must also understand that the abolition of an institution of such long standing as that of extraterritoriality will inevitably involve certain inconveniences for foreigners in China, whose business is built on the foundation of that institution. On the other hand, the foreigners in question must also recognize that extraterritoriality deprives China of one of the most essential attributes of sovereignty, and that its continuation would handicap China's ability to advance politically. Both sides, therefore, must be openminded in trying to find some reasonable solution that meets the legitimate interests of all concerned and that will be conducive to better understanding between China and the nations of the West.

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AUSTRALIA IN THE CHANGING EAST

By R. L. Curthoys

WHILE Mr. Bruce was Prime Minister of Australia he used often to say that the country's fundamental needs could be summed up in three words — men, money, markets. Australia has to have a larger population if she is to hold her 2,970,000 square miles of territory for the white race. She must have more markets before she can hope to support a larger population. If she gets the men and the markets the money will follow.

Let us in the same way accept a schematic approach to the question of Australia's changing position in the British Commonwealth and in the Far East (which to her is the Near North). And let us, also, make our examination from three angles — trade relationships, defense, and immigration.

I. TRADE

First, trade relationships. We in Australia have been forced to do some very hard thinking about tariffs since the so-called "trade diversion" measures were announced on May 22, 1936. The new trade policy provided for increased duties and the limitation of imports by the application of a system of licensing. As a result, some £2,299,000 worth of imports were to be diverted — £1,310,000 to the United Kingdom, £854,000 to Australian manufacturers, and £135,000 to "good customer" countries.

One objective was to redress the trade balance. The Commonwealth has an external interest bill of some £24,000,000 annually, yet in the fiscal year 1934–35 there had been a shortage of £8,000,000 in the funds available for payment. The adverse balance with the United States had steadily increased until it was £10,000,000, a situation made inevitable by large imports of automobiles, oil and tobacco. The new tariff schedule, therefore, placed higher duties on tobacco, Oregon timber, electric refrigerators, roller ball-bearings and many other imports from America; while the number of motor chassis that were to be admitted under license was to be that of the peak year ending April 30, 1936. The Government, it was explained, was acting in no spirit of retaliation for American tariffs, but, very unwillingly, under the spur of pressing national interest. President Roosevelt replied by withdrawing from Australia the benefits of reciprocal trade treaties, on the ground that her treatment of American exports was discriminatory. It was declared in Washington that not even Germany had gone so far as Australia.

But the weight of the new policy bore chiefly upon Japan. As was explained to the House by Sir Henry Gullett, Minister for Trade Treaties, the Government had sought in vain to persuade Japan to curtail her exports of cotton and artificial silk textiles to Australia. Between 1932 and 1935 Japan had increased these exports by over one hundred million square yards at the expense of the European buyers of Australian wool, principally Great Britain. The Commonwealth Government pointed out that while in 1935 Japan had bought 26.4 percent of Australia's wool exports, the United Kingdom had bought 34.9 percent, and other countries 38.7 percent. The Government had tried, said the

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Minister, to persuade Japan to reduce her exports and take compensation in higher prices; but Japan had demanded 90 percent of Australia's artificial silk trade, no restriction in her cotton piece goods market (of which Japan had already captured 45 percent), and other concessions at the expense of Great Britain. The Commonwealth, therefore, had had no option but to increase substantially its duties on textiles. Actually, even the new Australian duty of ninepence a square yard was lower than the rate imposed by the United Kingdom, the United States, France and Canada. Moreover, Australia was one of the last countries to take such action. The duties, it was also pointed out, were not discriminatory but applied equally to the textiles of all foreign countries. In fact, Japan was given five months in which to negotiate before the full duties became operative. Yet Japan's reprisals were immediate and extensive. By tariff measures and by a private boycott of the wool market she practically closed her doors to Australian produce. The Commonwealth resented this action as having a clearly punitive intention and it retaliated by imposing a licensing system on about 40 percent of Japanese imports.

Throughout the controversy with Japan the Commonwealth's case was expounded with great ability by Mr. Lyons, the Prime Minister, and by Sir Henry Gullett. The United Kingdom, they pointed out, was Australia's best customer for primary products, since it took over 56 percent of our total exports, while Japan took less than 11 percent. For example, Great Britain absorbed nearly 40 percent of our wool exports, 54¾ percent of our wheat, 13¾ percent of our flour, 93 percent of our butter, 95 percent of our meat, 96 percent of our pig lead, 83¾ percent of our sugar, 85 percent of our fresh fruit, 99 percent of our eggs, and 95 percent of our wine. For every pound Japan spent in Australia the United Kingdom spent four.

The United Kingdom cannot be expected to continue this measure of preference for our products unless we give reciprocal treatment to its most important export — textiles. Aided by low wages and currency devaluation, Japan has in recent years been exporting textiles to Australia at prices which no other country can match. Between 1932 and 1935 imports of Japanese artificial silk increased eightfold, those of cotton one and a half times. The average price per square yard of rayon fell from 8.3d to 4.8d, and that of cotton from 3.2d to 2.8d. In contrast, the price of British rayon was 14d. Furthermore, the Australian duties were not fixed but were calculated on these very low values.

Confronted with a choice between the Japanese and British export markets, how, asked Mr. Lyons, could the Government fail to decide in favor of the latter? He pointed out that under the new duties Japan would still have a third of the textile market, a reasonable enough share for any foreign country; while the new licensing system would divert to her, as a "good customer" country, the trade in certain goods which had hitherto been imported from "bad customers." In any case, the Prime Minister declared, Japan was only just beginning her attack on the Australian textile market; her real objective was to capture the remaining cotton piece goods market, worth from £3,000,000 to £4,000,000 to the United Kingdom. This could not be surrendered without destroying our high wage standards and the Ottawa Agreement. Japan must therefore withdraw her cheap textiles and restrict her competition to goods compatible in quality and price with Australian standards of living.

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Such was the case for the new tariff as argued by those who repose their hopes in trade within the British Empire along the lines laid down at Ottawa. But the problem has another aspect. If we are determined to check imports of Japanese textiles, how can we hold our rapidly growing market in Japan for wool? In 1935 we exported £12,000,000 worth of wool to Japan. For some time she has been our second best wool customer and in the fall of 1935 she bought more than Britain. How, again, can we continue to sell flour to Manchukuo, which last year took 250,000 of the 700,000 tons we exported?

In contrast, the exponents of what may be described as the Pacific viewpoint affirm that Australia's special function within the British Commonwealth is to express British ideals and British interests in the Pacific basin, and that if she is to do this she must make a thoroughgoing readjustment of her general policy. She must find a *modus vivendi* with the nations bordering the Pacific, especially Japan and the United States. And how do this better, they ask, than through improving trade relations? The mischief of the new tariff, say these critics, lay not only in its subject matter, but even more in the manner of its introduction, for it represented a complete repudiation of all that had gone immediately before. What about the exchange of good-will missions with Japan and the appointment of Trade Commissioners throughout the Near North, all the way from the Dutch East Indies to Tokyo? Was not the obvious implication of these actions that Australia intended to do more business with her Pacific neighbors? Even as late as October 1933 the Commonwealth had lowered the tariff on Japanese goods in order to compensate for the depreciation of the yen. Was it not natural, then, for Japan to become angry when Australia's trade diversion policy fell on her like a bolt from the blue?

Nor were the opponents of the new tariff convinced of the wisdom of the Ottawa policy with which it was bound up. They think that the Ottawa Agreement makes the Empire more vulnerable both internally and externally: internally, because the controversies to which they inevitably give rise will strain the bonds of Empire to the breaking point; externally, because the surest way for Australia to arouse the hostility of her Pacific neighbors is for her to join in putting a high fence around the Empire. We have moved a long way, they point out, from the time when the United Kingdom furnished Australia with all her manufactured goods and when the latter was content merely to be an exporter of primary products in exchange. Today, we ourselves are supplying an increasing proportion of the manufactures we need, and a continued extension of this policy is obviously essential for the support of a larger population; for there is a limit to the number of new settlers which our land resources can accommodate. On the other hand, we must continue to be one of the world's chief exporters of such commodities as wool, wheat and butter, for the export of these products makes possible the high economic standards we have established through tariffs and wage-fixing tribunals. But Australia cannot have it both ways. If she is to expand her industrial plant, she cannot take from the United Kingdom as many manufactured goods as she now does. If imports of British goods fall, however, the United Kingdom would in return have to cut her imports of primary products from Australia. The need, therefore, is to find other outlets, and the most natural outlets of all are the markets of her neighbors in the Pacific area.

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Australian wool growers especially were exercised over the effect of the trade war with Japan. But the proponents of the new tariff argued throughout that the wool producers had nothing to fear. The argument was that if Japan transferred her purchases to South Africa, the pressure on that market would drive other purchasers to Australia, with the result that the market as a whole would not be affected. Despite the abstention of Japanese buyers at the sales which followed the application of the trade diversion policy, the tone of the market was exceedingly buoyant, and the optimism of the tariff-makers was amply justified by events, thanks to the patronage of English, American and European buyers. After seven months of hard bargain-driving the dispute with Japan was settled in the last week of 1936. A trade agreement with a duration of 18 months provides for the importation by Australia of 120,000,000 square yards of Japanese piece goods annually, *i.e.* the import figure of 1934, equally divided between cotton and rayon, compared with 153,000,000 in 1935. Japan, for her part, agreed to issue permits for the importation of 800,000 bales of wool in the period ending on June 30, 1938, or at an annual rate of 533,000 bales, compared with 750,000 in 1935. Each country immediately removed the punitive prohibitions it had imposed against the other. The new duties in Japanese textiles represent substantial reductions of the rates imposed under the trade diversion policy. The settlement is preliminary to a conference between the Japanese and Australian Governments at which a basis of general understanding will, it is hoped, be laid.

There are hopes, too, of a new agreement with the United States. Here, however, we run into the additional complication that the Australian and New Zealand Governments have threatened to apply to American ships going between British ports the same restrictions on the carriage of passengers as are now imposed on British ships between American ports. This action is primarily aimed at the Matson Line, whose vessels stop at Fiji and New Zealand on the way to Sydney. Subsidies for British liners in the Pacific are also probable in reply to the American subsidies. But we in Australia need so much from America — her automobiles, her oil, her tobacco, and so on — that common sense demands a compact. American purchases of Australian wool increased more than 600 percent in value in the last half of 1936 compared with the corresponding period of 1935. It is suggested that a continuance of such purchases might induce Washington to review the high duties on Australian wool. These factors strengthen the case for a trade agreement with America.

The growing uneasiness in the Federal Cabinet over the continuance of an aggressive trade diversion policy against the countries of the Pacific ended in March with Sir Henry Gullett's resignation as Minister for Trade Treaties. Negotiations for a new trade treaty with Canada reached an impasse, since the Minister insisted upon a new scale of duties replacing the existing British preferences on which the previous treaty was founded. The Cabinet refused to support the Minister; his withdrawal may lead to a general review of trade diversion policy, particularly as it applies to the United States.

II. DEFENSE

When we come to frame measures of defense we have to take account of a changing situation in the Pacific. Time was when Australia reposed reliance on

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the might of the British Navy. But today the naval power of Japan has immensely increased and the United Kingdom has accepted the principle of naval parity with the United States, with the result that the relative strength of the British Navy has diminished. A state of war might easily arise which would require the retention of almost the whole of the British Navy in European waters, thus leaving Australia to fend for herself. Considered from that point of view, our isolated situation seems dangerous; yet there are those who hold that the vast expanse of the southern Pacific gives us an important degree of safety, enabling us to feel fully secure from invasion with the aid of only a moderately expensive defense force. The strategic points at which a landing would be attempted are limited to the eastern coast.

Our two present aims are to maintain the Royal Australian Navy at a sufficient strength to be able to make an effective contribution to the protection of the Empire as a whole, and to provide a force capable of defending our territory against invasion. The Australian Labor Party, however, does not believe that Australian safety can be found by pursuing both these objectives. It insists that coöperation in a centralized system of imperial naval defense does not promise safety, but that the best sort of protection lies in the maintenance of land and air forces trained and equipped so that they can be quickly expanded to repel an invader before he can bring his full strength to bear. Military aviation, it holds, should be developed for reconnaissance and for subsequent coöperation with the land forces. Lastly, the Labor Party maintains, Australia should foster the production of munitions within its own boundaries and provide all the necessary equipment to make herself independent of outside sources of supply, including the production of oil from coal and of power alcohol from suitable crops. In reality, the two objectives now being pursued by the Australian Government do not seem inconsistent with each other. Labor is anxious to prevent Australia from promising to fight beyond her own borders. But if the Empire were again menaced, Australians once more would doubtless go overseas unless that would leave the Commonwealth defenseless.

The advocates of big naval expenditures point out the vital necessity of keeping open the trade routes to and from Australia. They argue that we are dependent upon seaborne trade both for the marketing of our primary products and for the provision of many of our everyday requirements, including oil, rubber and other essentials of war. In these circumstances an enemy would achieve his objective if he could maintain an effective blockade. The people might still be clothed and fed from resources within the Commonwealth, but they would not have the means of resisting indefinitely in the face of a tight blockade. True, the Singapore base is capable of accommodating a great fleet. But the British fleet might not be available for operations in the Pacific, and in any event, Singapore lies far off the probable direct line of an attack from the north. The need of an adequate Australian fleet is emphasized by the fact that even if Singapore were taken that would not necessarily mean the loss of Australia, especially if there should remain enough British warships in the Pacific to coöperate with the Australian and New Zealand naval units in preventing a hostile force from effecting a landing.

If, as has been suggested, Great Britain is aiming at the creation of a Pacific fleet to guard India, Australia and New Zealand, her claim to full coöperation

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from Australia would be immensely strengthened. The construction at Darwin of a naval base subsidiary to Singapore would greatly add to the strategic strength of Australia, especially with the employment of the latest aircraft (*e.g.* the *Blenheim* type) which have an effective cruising range of 1,000 miles from a coastal base. The prospect of a strong air force is brought nearer by the projected establishment of an aircraft factory in Australia.

The military school, on the other hand, holds that Australia can never hope to support a fleet large enough, in the absence of the British Navy, to prevent hostile action against her own shores. They argue that attention should therefore be concentrated on military and aërial preparations. They urge that emergency stocks of essential imports, especially oil, should be kept on hand, and in general that Australia should strive to make herself economically self-contained. They think that in view of the vastness of the territory to be defended, the Air Force will have to play a vital rôle. It is true that air raids by hostile forces might be serious, especially if supported by naval gunnery. Most of the population is on the eastern and southeastern fringes of the continent as are also the principal factories, including the great steel works at Newcastle in New South Wales. Many of the railways, too, are vulnerable to air attack. At the same time, it is true that a large-scale invasion would be a most difficult undertaking, if only because of the problems of transport and supply.

This year's military appropriation of £8,809,478 is the largest ever made in Australia except in wartime. It represents three shillings of every pound received in taxation. Indeed, we are spending far more on defense per capita than any other of the self-governing countries in the Empire. In so doing the Government is trying to satisfy in part the demands of both schools. For the navy the aim is to provide a squadron of four cruisers with the requisite aircraft, a flotilla of destroyers with leader, and a number of sloops and survey vessels, together with the necessary bases. Four cruisers of prewar design have been replaced by two 10,000-ton cruisers and one 7,000-ton cruiser of the *Leander* type, with another yet to be built. By the time the latter has been launched it will probably be necessary to replace those of the larger size. A destroyer leader and four destroyers were taken over from the British Navy and the Government is now contemplating building a new leader in Australia; it has already constructed two sloops in its own dockyards. A prewar cruiser, a seaplane carrier, seven destroyers and a few minor craft are in reserve. In the coast defenses, obsolete heavy guns are being replaced, anti-aircraft batteries are being provided, and reserves of ammunition are being accumulated. The shore defenses include the erection of huge oil tanks at Sydney and Darwin.

On land it is proposed to provide the nucleus for a field army of two cavalry and five infantry divisions. The air force is preparing to coöperate in coast reconnaissance and the protection of shipping, as well as in direct attack upon enemy raiders; while ordnance, small arms, ammunition and explosives factories are busy. The permanent forces are being increased to 2,300 and the militia to 35,000. In 1929 a Labor Government suspended conscription, ostensibly for economy, and successive Conservative Governments have been averse to reënforcing it. The unsatisfactory volunteer militia system therefore remains.

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III. IMMIGRATION POLICY

But the best security of all is provided by man power; and so with the return of normal times Australia is pondering whether it would not be well to resume immigration, but with a new outlook upon that perplexing problem. The population density of 2.27 to the square mile is often cited to support the charge that the "White Australia" policy of excluding all immigrants of color, even from sub-tropical regions, lays Australia open to the charge that she plays a dog-in-the-manger rôle. How preposterous, foreigners declare, that she should hope to retain her vast territories for the exclusive enjoyment of a population of less than 7,000,000 people, over 2,000,000 of whom are in Melbourne and Sydney! The truth is that there has been much idle talk about our "vast empty spaces." For practical purposes 1,250,000 of Australia's 2,970,000 square miles are desert. Only a small portion of the continent is really well watered, and a large intermediate area is suitable only for grazing, which can never support a large population.

Experts differ widely about the productive capacity of the two-fifths of the continent lying within the tropics. Some say that this zone is useless for much except grazing. Others hold that if it were filled with colored colonists it might produce rich crops of rice, sugar, cotton, tea and numerous other commodities for which there is a ready market in the countries immediately to the north. Some prophets of woe go so far as to avow that if the "White Australia" policy is not relaxed, or if it is not vindicated by the white settlement of the tropical zone, Australia will some day have to use force to defend it against those who are prepared to put it to a more intelligent use. Nevertheless, the popular demand for a continuance of the "White Australia" policy is as passionate as ever, and no Government would dare to suggest the abandonment of it. Its basis is fundamentally economic — the need for protecting our high standard of living against the devastating inroads of cheap colored labor.

The resources which Australia can offer the newcomer are in any case limited, and in the depression years the shrinkage in overseas markets for primary products further reduced the opportunities for Australian agriculture. The urban population of the Commonwealth has been growing twice as fast as the rural, and despite the Government's efforts only a small proportion of the assisted immigrants have settled permanently on the land — about 14 percent is the generally accepted figure. As a result, all political parties have turned against large-scale schemes of immigration subsidized with government funds. There is immense difficulty in getting immigrants physically and mentally fitted to wrestle with the problems of the peculiar Australian environment, so utterly different from that of the English farm.

Immigration clearly must be correlated not only with land settlement but with exploitation of all of the country's resources. A wide diversity of occupation must lie open to the newcomer. British or other outside capital must be used to develop secondary industry. Science, too, must help us to better and more intensive farming. The areas already settled are capable of much higher production through the improvement of pastures, more fodder crops, rotational grazing, and so on. All these devices will help us cut production costs and, it is hoped, enable us to compete successfully in the markets of the world.

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SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

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General: Political and Legal

THE FASCIST: HIS STATE AND HIS MIND. By E. B. ASHTON. New York: Morrow, 1937, 320 p. $2.50.

The identity of the author is concealed under a pseudonym, but we are told that he is an American scholar. At times the book's style seems involved and the approach too metaphysical, yet on the whole its insight and objectivity make it one of the most important political treatises of the year. "Mr. Ashton" finds Fascism — as a state system and a political philosophy — to be capitalistic collectivism. From this datum he proceeds to break it down into its implications in the political, economic, social and international spheres.

FORCE OR REASON. By HANS KOHN. Cambridge: Harvard University Press, 1937, 167 p. $1.50.

A synthesis of the historical and philosophical background to the present conflict between democracy and dictatorship. Professor Kohn finds that democracy, far from being on the wane, is stronger than ever.

DEMOCRACY AS A WAY OF LIFE. By BOYD H. BODE. New York: Macmillan, 1937, 114 p. $1.25.

A plea for realization that "democracy" cannot defend itself but will be preserved only by a more active and purposeful participation in its processes by the people as a whole. To attain this, the democratic countries must reorient their educational systems.

AUTHORITY AND THE INDIVIDUAL. Cambridge: Harvard University Press, 1937, 371 p. $3.00.

Papers presented at the Harvard Tercentenary Conference by sixteen outstanding scholars of several nations. The general headings include: the State and Economic Enterprise, Stability and Social Change, and the Place and Functions of Authority.

POLITICAL AND ECONOMIC DEMOCRACY. EDITED BY MAX ASCOLI AND FRITZ LEHMANN. New York: Norton, 1937, 336 p. $3.00.

This book presents the views of members of the Graduate Faculty of Political and Social Science of the New School for Social Research, popularly known as "The University in Exile." Each of the nineteen contributors has attempted to treat one of the great problems now facing American democracy in a manner intelligible to the layman.

FORWARD FROM LIBERALISM. By STEPHEN SPENDER. New York: Random House, 1937, 281 p. $2.00.

A poet with proletarian sympathies looks upon liberalism as a façade for capitalism. His remedy for our present ills is a "Popular Front" of the radical parties, led by the Communists, which will bring about the Marxian Utopia by a temporary dictatorship.

NATIONALISM IN A CHANGING WORLD. By LOUIS S. GREENBERG. New York: Greenberg, 1937, 154 p. $1.50.

A popular essay. The author looks to a union of the intellectuals with the more intelligent section of the masses to save mankind.

THE HUNDRED YEARS. By PHILIP GUEDALLA. Garden City: Doubleday, 1937, 400 p. $3.00.

Snapshots of crucial moments in the world's history since 1837.

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THE LEAGUE FIASCO (1920–1936). By Victor Margueritte. London: Hodge, 1936, 284 p. 10/6.

A mordant attack on the men who, the author argues, have debased the League and rendered it futile. Unfortunately the book is more passionate than accurate.

NEARING THE ABYSS: THE LESSON OF ETHIOPIA. By Lord Davies. London: Constable, 1936, 182 p. 3/6.

The author does not believe that the Covenant failed in the Ethiopian War but that it was never really applied. He therefore thinks it still possible to use the League's peace machinery if certain reforms are adopted.

GRUNDLAGEN UND METHODEN INTERNATIONALER REVISION. By Werner Gramsch. Stuttgart: Deutsche Verlags-Anstalt, 1937, 181 p. M. 6.

Not very practical suggestions, sponsored by the New Commonwealth Institute.

ANALYSIS OF THE PROBLEM OF WAR. By Clyde Eagleton. New York: Ronald Press, 1937, 132 p. $1.50.

A Professor of Government at New York University discusses concisely such questions as disarmament, munitions, passive resistance, outlawry of war, neutrality, etc.

BASI NAVALI NEL MONDO. By Giuseppe Fioravanzo. Milan: Istituto per gli Studi di Politica Internazionale, 1936, 226 p. L. 14.

A handy reference manual, containing several colored sketch-maps locating the chief naval bases and illustrating the rôle they play in maritime strategy.

MORSKOYE SOPERNICHESTVO IMPERIALISTICHESKIKH DERZHAV. By L. Ivanov. Moscow: Sotsekgiz, 1936, 291 p. 80 cents.

A comprehensive survey of naval rivalries today, published under the auspices of the Institute of World Economics and Politics in Moscow.

THE QUEST FOR EMPIRE. By Mahmud Husain. Dacca: The Author, 1937, 238 p. 4/6.

An interpretation of the expansionist policies of Japan, Italy and Germany, by a member of the faculty at the University of Dacca.

MANDATES. By Neil Macaulay. London: Methuen, 1937, 213 p. 6/.

The author would unflinchingly abolish the mandate system and put an end to the League of Nations, which, he says, is "dying, damned, and doomed, unhonoured, unwept and unsung." In spite of this exaggerated tone, the book is useful for its description of the present state of the mandated areas.

DIE VÖLKERRECHTLICHE STELLUNG DER B- UND C-MANDATE. By Wolfgang Abendroth. Breslau: Marcus, 1936, 378 p. M. 20.

A well-documented juridico-historical study that avoids current political questions.

LABOR TREATIES AND LABOR COMPACTS. By Abraham C. Weinfeld. Bloomington (Indiana): Principia Press, 1937, 136 p.

A legal study based primarily on cases.

CONSTITUTIONAL GOVERNMENT AND POLITICS. By Carl Joachim Friedrich. New York: Harper, 1937, 591 p. $3.50.

Though this work was conceived primarily as a textbook, the "general reader" will find it a stimulating analysis and critique of constitutional government as well as a useful book of reference. The author is Professor of Government in Harvard University.

DOCUMENTS ON INTERNATIONAL AFFAIRS 1935. Volume II. Edited by John W. Wheeler-Bennett and Stephen Heald. New York: Oxford University Press, 1937, 567 p. $8.50.

These documents are devoted exclusively to the international crisis created by the Ethiopian War, and cover the period December 5, 1934, to September 30, 1936.

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General: Economic and Social

EUROPEAN CIVILIZATION: ECONOMIC HISTORY OF EUROPE SINCE THE REFORMATION. New York: Oxford University Press, 1937, 1328 p. $7.50.

A coöperative work by British scholars, under the direction of Edward Eyre. This is the fifth in a series of seven volumes.

RAW MATERIALS IN PEACE AND WAR. By Eugene Staley. New York: Council on Foreign Relations, 1937, 326 p. $3.00.

A thoroughgoing and lucid analysis of the effects which the unequal distribution of basic commodities has on world trade, on capital movements, on military preparedness and on international security. It is especially timely in view of the current discussion of the problem of the "haves" and the "have-nots."

RAW MATERIALS, POPULATION PRESSURE AND WAR. By Sir Norman Angell. New York: National Peace Conference, 1936, 46 p. 75 cents.

A refutation of the doctrine that the "have-not" nations can hope to solve their raw material and population problems by taking colonies away from the "haves."

CLAMOUR FOR COLONIES. By H. S. Ashton. London: Butterworth, 1936, 191 p. 8/6.

The author rather defiantly exposes the shallowness of the logic behind the clamor of the "have-nots" for colonies and raw materials. A provocative though not judicial treatment of a controversial subject.

LEADERSHIP IN A FREE SOCIETY. By Thomas North Whitehead. Cambridge: Harvard University Press, 1936, 266 p. $3.00.

An assistant professor in the Harvard Business School seeks to answer the queston: Can an industrial society intelligently evolve amid rapid technical changes?

AGRARIANISM, CAPITALISM, IMPERIALISM. By V. N. Madgearu. Bucharest: Economistul, 1936, 171 p.

The chief economic theorist of the Rumanian National Peasants' Party contrasts the evolution of peasantry and bourgeoisie in Eastern and Western Europe. He prefers free capitalist initiative to the postwar attempts to preserve the self-sufficient peasant economy through legislative restrictions on the mortgaging and sale of land.

INTERNATIONAL MONETARY ISSUES. By Charles Raymond Whittlesey. New York: McGraw-Hill, 1937, 252 p. $2.50.

An examination of current thought and practices which comes to the conclusion that it would be undesirable to fix rigid exchange rates.

RECIPROCITY: A NATIONAL POLICY FOR FOREIGN TRADE. By William Smith Culbertson. New York: Whittlesey House, 1937, 298 p. $3.00.

A timely book, in which the former Vice-Chairman of the U. S. Tariff Commission states the conditions necessary for a sane foreign trade policy. Though a Republican, Mr. Culbertson gives warm support to Secretary Hull's reciprocal trade program.

LE MÉCANISME DES ÉCHANGES INTERNATIONAUX ET LA POLITIQUE COMMERCIALE EN TEMPS DE CRISE. By F. Oulès. Paris: Sirey, 1936, 126 p. Fr. 20.

A theoretical study by a professor in the University of Aix-Marseille.

ORGANISED COMPENSATORY TRADING. By Edgard Milhaud. London: Williams and Norgate, 1937, 305 p. 5/.

A plan of action for the solution of world trade depressions, by a Professor of Economics in the University of Geneva.

SUGAR. By John E. Dalton. New York: Macmillan, 1937, 311 p. $3.00.

A case study of government control in the United States, its possessions and Cuba, by the former chief of the sugar section of the Agricultural Adjustment Administration.

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The World War

AMERICA AND THE WORLD WAR. By Samuel Taylor Moore. New York: Greenberg, 1937, 309 p. $2.75.

A journalist retells in popular language the story of American participation in the war. He covers the home front as well as the operations in France.

IN WAR'S WAKE 1914–1915. By Ernest Percy Bicknell. Washington: American National Red Cross, 1936, 276 p. $1.00.

Pages from the journal of the man sent to Europe during the World War by the Rockefeller Foundation and the American Red Cross to investigate conditions among the civilian populations in the areas occupied by invading armies.

VOINATA MEZHDU BULGARIYA I TURTSIYA PREZ 1912–1913. Sofia, 1936, 345 p.

The official Bulgarian history of the first Balkan War, by the military-historical commission of the Ministry of War.

DEUTSCHE GESANDTSCHAFTSBERICHTE ZUM KRIEGSAUSBRUCH 1914. Edited by August Bach. Berlin: Quaderverlag, 1937, 162 p. M. 4.50.

The diplomatic correspondence between Berlin and the governments of Baden, Saxony and Württemberg during July and August 1914.

WAS WIR VOM WELTKRIEG NICHT WISSEN. Edited by Walter Jost and Friedrich Felger. Leipzig: Fikentscher, 1936, 524 p. M. 22.50.

Text by several writers and 234 pictures recalling Germany's war-time sacrifices.

DIE DEUTSCHE SEEKRIEGFÜHRUNG IM ERSTEN WELTKRIEGSHALBJAHR. By Gerhard Hörich. Berlin: Junker und Dünnhaupt, 1936, 104 p. M. 4.80.

This careful chronological study is based on British and German official publications in addition to the usual memoirs and expert analyses.

KRIEG IM STEIN: DIE MENSCHENMÜLHE AM ISONZO. By Wilhelm Czermak. Berlin: Frundsberg-Verlag, 1936, 197 p. M. 4.20.

The campaign on the Isonzo seen from the Austrian side.

LA PAIX MANQUÉE? By Albert Chatelle. Paris: Firmin-Didot, 1936, 160 p. Fr. 15.

A reëxamination of the Prince Sixtus and Lancken peace negotiations of 1917.

KRAKH GERMANSKOY OKKUPATSII NA UKRAINE (PO DOKUMENTAM OKKUPANTOV). Edited by M. Gorky, I. Mints and R. Eydeman. Moscow: Izd. "Istoriya grazhdanskoy voyny," 1936, 207 p. 80 cents.

Many documents, only two of which have been published before, drawn from the abandoned records of the German and Austrian consulates in the Ukraine. They throw valuable light on the policy of the Central Powers in that region during 1918.

DER FELDZUG IM BALTIKUM BIS ZUR ZWEITEN EINNAHME VON RIGA, JANUAR BIS MAI 1919. Berlin: Mittler, 1937, 159 p. M. 3.25.

A work prepared for the Reich War Ministry, with illustrations and a large map.

The International Relations of the United States

THE UNITED STATES IN WORLD AFFAIRS, 1936. By Whitney H. Shepardson in collaboration with William O. Scroggs. Published for the Council on Foreign Relations. New York: Harper, 1937, 312 p. $3.00.

A graphic account of the chief political, diplomatic, economic and military developments of the past year which in some way affected the interests of the United States. Three chapters describe the collapse of the agencies for collective security through Italy's defiance of the League, Germany's repudiation of the Locarno Pact, and Japan's

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withdrawal from the naval limitation agreements. There is a description of the armaments race among the Great Powers, of efforts in the democratic countries to control the munitions industry and take the profits out of war, and of the attempt of the United States through "permanent" neutrality legislation to insulate itself against "the next war." The measures taken at Washington to reduce trade barriers, to aid in currency stabilization and to put relations among the American republics on a sounder basis are treated in detail. The story is told briskly and objectively. In clarity and scholarship this latest volume of an annual survey maintains the standard of its predecessors.

THE TRAGIC FALLACY: A STUDY OF AMERICA'S WAR POLICIES. By Mauritz A. Hallgren. New York: Knopf, 1937, 475 p. $4.00.

Mr. Hallgren first sets out to demonstrate that the military and naval establishment of the United States is of such magnitude (and expense) that its only object can be offensive war. The country's isolated position, he tells us, means that its defense could be insured with a much smaller army and navy than our militarists demand. He assures us that, if we assent to these demands, we may see the American army wage a war of aggression abroad and impose a Fascist dictatorship at home. The chances of our staying out of another general war are slight. Embargoes and other legislative devices will not avail, for our capitalist economy will "inevitably" drag us into the world's major imperialistic conflicts. The only escape is Marxist socialism. Many readers will be able to accept parts of Mr. Hallgren's plausible if long-winded diagnosis but may strain at the medicine he prescribes.

NEUTRALITY FOR THE UNITED STATES. By Edwin Borchard and William P. Lage. New Haven: Yale University Press, 1937, 380 p. $3.50.

The authors hold that the law of neutrality as developed in modern times is too precious a heritage to be thrown away, especially for such a poor substitute as "collective security" — which they find to be the very antithesis of real neutrality. Most of their volume consists of a history of American "unneutrality" from 1914 to 1917. Their interpretation of our policy during those years pictures Wilson and most of his advisers as far from neutral in thought and deed. Like Mr. Hallgren's work, this book shows the growing disillusionment with our neutrality policy.

CLAUDE KITCHIN AND THE WILSON WAR POLICIES. By Alex Mathews Arnett. Boston: Little, Brown, 1937, 341 p. $3.00.

Congressman Kitchin, of North Carolina, was Democratic leader of the House of Representatives during the Wilson Administration, though he opposed many of the President's policies. He fought preparedness and all legislation which he felt would involve us in the European War. Professor Arnett's effort to rehabilitate Kitchin's political reputation is fairly successful, though in places his book seems special pleading rather than history. An interesting feature is a partial clarification of circumstances surrounding the "Sunrise Conference" of April 1916, at which certain Congressional leaders are alleged to have dissuaded Wilson from going to war at that time.

L'EXPÉRIENCE ROOSEVELT ET LE MILIEU SOCIAL AMÉRICAIN. By Louis R. Franck. Paris: Alcan, 1937, 388 p. Fr. 30.

The author, who has given us one of our best analyses of the Fascist corporative state, turns his attention to the Rooseveltian New Deal. The foremost political task of the United States is, he believes, the formation of a governing class of competent administrators through the abolition of the spoils system.

AMERICAN HURLY-BURLY. By Ernest Sutherland Bates and Alan Williams. New York: McBride, 1937, 339 p. $2.50.

A popular summary and interpretation of events in the United States during 1936.

DAS RASSENRECHT IN DEN VEREINIGTEN STAATEN. By Heinrich Krieger. Berlin: Junker und Dünnhaupt, 1936, 361 p. M. 10.

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The Nazis point to American racial discrimination in support of their laws against ethnic minorities. The present work is a description of the legal disabilities enforced against Negroes and Indians in the United States.

UNSER AMERIKA: DER DEUTSCHE ANTEIL AN DEN VEREINIGTEN STAATEN. By Colin Ross. Leipzig: Brockhaus, 1936, 317 p. M. 4.

A popular history of the contribution made by German immigrants to the development of the United States. For the future, the author predicts an even greater rôle for these German elements in view of the "collapse" of the traditional American ideals.

ROAMING IN HAWAII. By Harry A. Franck. New York: Stokes, 1937, 349 p. $3.50.

An entertaining travelogue illuminating American colonial methods.

Western Europe

COMPARATIVE MAJOR EUROPEAN GOVERNMENTS. By John Gilbert Heinberg. New York: Farrar, 1937, 536 p. $3.00.

An interesting departure from the usual type of manual on comparative government. Instead of taking up each national state in turn, the author, a professor in the University of Missouri, has organized his material by topics — administration, legislative processes, economic control, public finance, etc. Under these headings he compares the governments of England, France, Germany, Italy and Russia.

DUSK OF EMPIRE. By Wythe Williams. New York: Scribner, 1937, 323 p. $3.00.

An American foreign correspondent records the high lights of his war and postwar work, largely in France.

SOURCE BOOK ON EUROPEAN GOVERNMENTS. By William E. Rappard and others. New York: Van Nostrand, 1937, 812 p. $3.50.

Documentary material illustrating current political trends. W. E. Rappard covers Switzerland; W. R. Sharp, France; H. W. Schneider, Italy; J. K. Pollock, Germany; S. N. Harper, the Soviet Union.

WHICH WAY FRANCE? By Alexander Werth. New York: Harper, 1937, 414 p. $3.00.

Probably the best account in English of recent French history. With sureness of touch and intimate knowledge of the facts, the author, Paris correspondent of the *Manchester Guardian*, tells the story of the rise of French fascism after the riots of February 1934; of Doumergue's attempt to revise the constitution; of Laval's disastrous foreign policy during the Ethiopian crisis; of the formation and victory of the *Front Populaire;* of Blum's "New Deal" for France; and of the repercussions of the Spanish crisis on French foreign and domestic policy. The struggle between French fascism and democracy forms the author's central theme. Though his liberal sympathies are evident, he has nevertheless produced an eminently fair-minded piece of political analysis.

LÉON BLUM: POET TO PREMIER. By Richard L. Stokes. New York: Coward-McCann, 1937, 276 p. $3.00.

A biography by an American journalist of the head of the Popular Front ministry. The most useful part is the description of the little-known early years of Blum's career.

THE POSITION OF WOMEN IN CONTEMPORARY FRANCE. By Frances I. Clark. London: King, 1937, 259 p. 12/6.

A well-informed, objective presentation of the economic, social and legal status of French women, 42 percent of whom are gainfully employed.

LA NOTE DE SEMAINE — 1936. By André Tardieu. Paris: Flammarion, 1937, 245 p. Fr. 15.

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Articles, originally published in the weekly *Gringoire*, wherein the former French Premier carries on his attack against the methods of parliamentary government.

CINQUANTE ANNÉES DE GOUVERNEMENT PARLEMENTAIRE, 1884–1934. By Auguste Mélot. Brussels: Rex, 1936, 426 p. Fr. 20.

Rather unsystematic commentaries on a half century of Belgian politics.

LÉON DEGRELLE ET L'AVENIR DE "REX." By Robert Brasillach. Paris: Plon, 1936, 85 p. Fr. 3.

A sympathetic description of the Belgian Fascist leader and his program.

THE MONETARY EXPERIENCE OF BELGIUM, 1914–1936. By Henry L. Shepherd. Princeton: Princeton University Press, 1936, 271 p. $3.00.

A scientific case study in postwar inflation, stabilization and devaluation.

DEMOCRACY IN DENMARK. By Josephine Goldmark and A. H. Hollman. Washington: National Home Library Foundation, 1936, 344 p. 25 cents.

How the Danes manage to preserve their democratic institutions.

HITLER AND THE CHRISTIANS. By Waldemar Gurian. New York: Sheed, 1936, 175 p. $1.75.

A well-informed, balanced explanation of the Nazi war on the Christian churches.

THROUGH TWO DECADES. By Theodor Wolff. London: Heinemann, 1936, 324 p. 15/.

Reminiscences of important events and persons by the former editor of the *Berliner Tageblatt*, including brilliant sketches of Bülow, Ludendorff, Ballin, Otto Braun and others. The interpretation of the November 1918 revolution is especially convincing.

DIE GEISTIGE SITUATION DER DEUTSCHEN. By Heinz Lunau. Brussels: Éditions de la Phalange, 1936, 152 p.

An exile describes the state of political and legal scholarship in Nazi Germany.

ERINNERUNGEN. By Elard von Oldenburg-Januschau. Leipzig: Koehler und Amelang, 1936, 230 p. M. 3.80.

The memoirs of one of the most influential and intransigent of the old Prussian Junkers, who was close to Hindenburg when the latter was President.

LE CHEF DE L'ÉTAT ET LA CONSTITUTION DU CABINET EN DROIT PUBLIC ALLEMAND (1919–1934). By J. Ranchin. Paris: Pedone, 1937, 238 p. Fr. 30.

A legal study, taking up each cabinet in chronological order.

GERMANY'S COLONIAL PROBLEM. By G. Kurt Johannsen and H. H. Kraft. London: Butterworth, 1937, 96 p. 3/6.

A brief, lucid presentation of Germany's colonial demands.

LA NOUVELLE TRIPLICE. By E.-N. Dzelepy. Paris: Fustier, 1936, 159 p. Fr. 6.

Italo-German relations during the last half-decade, vividly interpreted.

GESCHICHTE DER FREIKORPS 1918–1924. By Edgar von Schmidt-Pauli. Stuttgart: Lutz, Nachfolger Schramm, 1936, 371 p. M. 8.50.

The story of the activities of the volunteer corps in the Baltic provinces following the War, and later in the civil fighting in Republican Germany.

DER POLITISCHE VOLKSBEGRIFF IM MODERNEN ITALIEN. By Hermann Raschhofer. Berlin: Volk und Reich, 1936, 207 p. M. 7.50.

A scholarly examination of the concept of the nation from Mazzini to Mussolini.

FASCISMO IDEA UNIVERSALE. By Matteo Nardelli. Trent: Edizioni "Trentino," 1936, 235 p. L. 10.

The author seeks to show how the idea of Fascism, originally a purely Italian product, now appeals to the entire world.

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LA POLITICA DELLA SANTA SEDE DOPO LA GUERRA. By Luigi Salvatorelli. Milan: Istituto per gli Studi di Politica Internazionale, 1937, 293 p. L. 15.

A dispassionate synthesis by one of Italy's foremost modern historians.

INVERTEBRATE SPAIN. By José Ortega y Gasset. New York: Norton, 1937, 212 p. $2.75.

This book by the author of "The Revolt of the Masses" is most timely in spite of the fact that it is composed of fragments from works published in Spanish over a period of years. The three opening essays, taken from Ortega's "Espãna Invertebrada," develop the theme that in Spain exaggerated individualism has become anarchy, as manifested not only singly by persons but collectively by social groups. "Each group lives hermetically sealed within itself . . . Spain is today not so much a nation as a series of water-tight compartments." The enduring value of this book lies in its broad historical perspective. Perhaps precisely because it was not written in order to explain the present crisis in Spanish history, it is the most satisfactory explanation of that crisis.

MEMOIRS OF A SPANISH PRINCESS. By H. R. H. the Infanta Eulalia. New York: Norton, 1937, 301 p. $3.50.

The aunt of Alfonso paints a picture of pre-Republican Spain. The aristocracy fares somewhat roughly at her hands, even if her present sympathies are with Franco.

UNHAPPY SPAIN. By Pierre Crabitès. Baton Rouge: Louisiana State University Press, 1937, 244 p. $2.50.

A not very convincing interpretation of the last century of Spanish history in terms of the baneful influence of the Masonic lodges.

LE COMPLOT ESPAGNOL. By E.-N. Dzelepy. Paris: Fustier, 1936, 156 p. Fr. 6.

The Spanish rebellion as the prelude to the next general war.

THE NAZI CONSPIRACY IN SPAIN. London: Gollancz, 1937, 256 p. 5/.

The editor of "The Brown Book of the Hitler Terror" has collected a mass of evidence showing the thoroughness of German propaganda in Spain, starting long before Franco's revolt.

FRANCO ET LA NOUVELLE ESPAGNE. By Georges Rotvand. Paris: Denoël et Steele, 1937, 96 p. Fr. 7.50.

An enthusiastic description of the rebel leader's character and program.

SPAIN IN ARMS 1937. By Anna Louise Strong. New York: Holt, 1937, 85 p. $1.00.

An eye-witness account by an American Leftist.

RABOCHII KLASS ISPANII V GODY REVOLIUTSII. By N. Gorozhankina. Moscow: Sotsekgiz, 1937, 119 p. 25 cents.

A Marxist survey of the labor movement in Spain in the present decade.

CRUELLE ESPAGNE. By Jérôme and Jean Tharaud. Paris: Plon, 1937, 254 p. Fr. 15.

Episodes in a journey to both Loyalist and Rebel Spain. The tone is pro-Rebel.

PORTUGAL. By Rodney Gallop. New York: Macmillan, 1936, 290 p. $5.50.

A delightful book about a little known people.

PORTUGAL NOW. By Ralph Fox. London: Lawrence and Wishart, 1937, 80 p. 1/.

The author, a British Leftist writer, lost his life fighting in Madrid's defense. On his way to Spain he spent a short time in Portugal. This little book is a highly unflattering picture of Salazar's dictatorship.

Eastern Europe

THE REVOLUTION BETRAYED. By Leon Trotsky. Garden City: Doubleday, 1937, 308 p. $2.50.

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This is Trotsky's blast against the Soviet claim that Stalin has established socialism in Russia. In the sub-title to his book he asks: "What is the Soviet Union and where is it going?" To which he replies that under Stalin Russia has become a brutal bureaucracy in which a few privileged officials live at the expense of the great mass of the workers and peasants. While conceding the dictatorship's undoubted achievements in industrialization and state planning, he insists that all this has been accomplished at the expense of the Socialist Revolution, both in and out of Russia. The book is filled with facts, in large part derived from Soviet sources. As we would expect, it was written with fiery passion — which Max Eastman has preserved in his excellent translation.

THE CASE OF THE ANTI-SOVIET TROTSKYITE CENTRE. New York: Bookniga, 1937. (Published by the People's Commissariat of Justice of the U. S. S. R.) 580 p. $1.00.

The official record of the trial held in January 1937.

THE FIRST TWO MOSCOW TRIALS: WHY? By Francis Heisler. Chicago: Socialist Party, 1937, 190 p. 25 cents.

A socialist attack on Soviet justice.

RETURN FROM THE U. S. S. R. By André Gide. New York: Knopf, 1937, 94 p. $1.00.

The English translation of an important little book, reviewed in the last issue, expressing a radical French writer's disillusionment over certain aspects of Soviet life.

THE END OF SOCIALISM IN RUSSIA. By Max Eastman. Boston: Little, Brown, 1937, 46 p. 75 cents.

The Trotskyist point of view presented briefly but pungently by one of the leading American Leftists.

LESSONS OF OCTOBER. By Leon Trotsky. New York: Pioneer Publishers, 1937, 125 p. 75 cents.

An English translation of Trotsky's account of the dispute between the Bolshevik leaders in 1917 concerning the seizure of power. This essay, when it first appeared in 1924, led to the break between its author and Stalin.

THE NEW SOVIET CONSTITUTION. By Anna Louise Strong. New York: Holt, 1937, 169 p. $1.50.

An apologist for Soviet Russia explains the new Constitution.

L'ÉCONOMIE PLANIFIÉE EN U. R. S. S. ET L'ÉCONOMIE DIRIGÉE AUX ÉTATS-UNIS. By Lola Zahn-Golodetz. Paris: Nizet et Bastard, 1937, 159 p. Fr. 20.

A comparative study, with bibliography.

THE RUSSIAN PEASANT MOVEMENT 1906–1917. By Launcelot A. Owen. London: King, 1937, 267 p. 12/6.

A careful study, based on an examination of a wealth of source material, useful in setting the background for the Russian Revolution.

SOVIET EXPORT. By M. Zhirmunski. New York: Bookniga, 1936, 121 p. $1.00.

An official description of the aims and methods of Russia's exporting industries.

I VISIT THE SOVIETS. By E. M. Delafield. New York: Harper, 1937, 344 p. $2.50.

An English novelist, author of the "Diary of a Provincial Lady," amusingly describes her reactions to a summer in Soviet Russia, which included three weeks on a collective farm in addition to the usual tourist trips. She strives at impartiality, but ghosts of the White Russians haunt her and she is irritated by the airy assumption of the Intourist guides that Russia has achieved Utopia.

SOUTH TO SAMARKAND. By Ethel Mannin. New York: Dutton, 1937, 355 p. $3.50.

Soviet Turkestan has been a very difficult region for the foreigner to enter. We are

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therefore much indebted to Miss Mannin for defying the Moscow authorities and giving us so interesting an account of her journey.

STRANY VOSTOKA. EKONOMICHESKII SPRAVOCHNIK. Volume II. SREDNII VOSTOK. Edited by V. Petrin, I. M. Reisner, P. I. Fesenko. Moscow: Sotsekgiz, 1936, 400 p. $1.50.

A compilation of economic information concerning Iran, Afghanistan and Sinkiang.

DER NATIONALE KAMPF DER RUSSLANDTÜRKEN. By Gerhard von Mende. Berlin: Weidmann, 1936, 196 p. M. 4.80.

The origins, aims and present status of the Turks in Russia.

SBORNIK DEISTVUYUSHCHIKH DOGOVOROV, SOGLASHENII I KONVENTSII, ZAKLIUCHENNYKH S INOSTRANNYMI GOSUDARSTVAMI. Volume IV. Edited by A. V. Sabanin and P. A. Khrisanfov. Moscow: Izd. Narkomindel, 1936, 119, p. 50 cents.

The treaties, agreements and conventions to which the Soviet Union was a party and which went into effect between May 1, 1926, and February 1, 1928.

STATYI I RECHI. By K. E. Voroshilov. Moscow: Partizdat, 1937, 666 p. $2.00.

Speeches and articles between 1925 and 1936, by the Soviet Commissar of Defense.

RAZORUZHENIE 1933-36. SBORNIK DOKUMENTOV PO MEZHDUNARODNOY POLITIKE I PO MEZHDUNARODNOMU PRAVU. Moscow: Izd. Narkomindel, 1937, 287 p. 90 cents.

Tenth volume of an official Soviet collection of documents dealing with disarmament.

SVINHUFVUD BAUT FINNLAND. ABENTEUER EINER STAATSGRÜNDUNG. By Erkki Räikkönen. Munich: Langen/Müller, 1936, 218 p. M. 6.

A sympathetic portrait of one of the men most responsible for the establishment of the Finnish Republic and for the policies that have led it to its present position. This book concentrates on the period of chaos out of which the Republic was born.

LA RÉPUBLIQUE D'ESTONIE. By Henry de Chambon. Paris: Éditions de la Revue Parlementaire, 1936, 245 p. Fr. 20.

A history of Estonia during and since the World War, by an authority on the Baltic.

DIE ENTSTEHUNG UND RECHTLICHE NATUR DES MEMELSTATUTS UND SEINE PRAKTISCHE AUSWIRKUNG BIS ZUM HEUTIGEN TAG. By Thorsten Waino Kalijarvi. Berlin: Ebering, 1937, 190 p. M. 7.40.

A detailed history of the Memel problem.

DIE GETREIDEWIRTSCHAFT POLENS. By Hans-Heinrich Herlemann. Berlin: Volk und Reich, 1936, 124 p. M. 3.50.

An economic and political study supported with many tables and graphs.

DIE LANDWIRTSCHAFT POSEN-POMMERELLENS VOR UND NACH DER ABTRENNUNG VOM DEUTSCHEN REICH. By Theodor Oberländer. Berlin: Volk und Reich, 1937, 118 p. M. 5.

The author finds that agriculture has deteriorated under the Polish régime.

DESTIN DES MINORITÉS. By Aldo Dami. Paris: Sorlot, 1936, 280 p. Fr. 20.

The state of the Hungarian minorities in Czechoslovakia, Rumania and Jugoslavia.

LES ÉCHANGES COMMERCIAUX ENTRE LA FRANCE ET LES ÉTATS SUCCESSEURS DE L'EMPIRE AUSTRO-HONGROIS. By Jean Morini-Comby. Paris: Hartmann, 1937, 149 p. Fr. 12.

A statistical study prepared for the Centre d'Études de Politique Étrangère.

BYLI JSME ZA RAKOUSKA. By Dr. Kamil Krofta. Prague: Orbis, 1936, 642 p. Kč. 98.

Scholarly articles on the history of the Czechs and Slovaks before they achieved

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independence, by the present Foreign Minister of the country. The title, meaning "we existed under Austria," was a well-known saying of the historian Palacký.

RUSKO A MALÁ DOHODA V POLITICE SVĚTOVÉ. By Jan Šeba. Prague: Melantrich, 1936, 652 p.

This book, written by the former Minister of Czechoslovakia to Bucharest, presents personal and documentary material covering the prewar, the war and the postwar periods in Southeastern Europe. Mr. Šeba implies that collaboration between France, the Little Entente states and the Soviet Union is the basis of European peace. Some of the historical interpretations in the book incensed the Polish Government and the Rumanian Iron Guard, and were partly responsible for the recent recall of Mr. Šeba from his post in Bucharest. There is a short summary in French.

WORLD PEACE AND CZECHOSLOVAKIA 1919–1934. By Karel Hoch and others. London: International University Booksellers, 1936, 121 p. 7/6.

Political, economic and social problems discussed by eight Czechoslovak writers.

THE FOREIGN POLICY OF CZECHOSLOVAKIA 1918–1935. By Felix John Vondracek. New York: Columbia University Press, 1937, 451 p. $5.00.

A conventional but sound piece of historical scholarship.

CZECHOSLOVAKIA AND THE INTERNATIONAL SITUATION AT THE BEGINNING OF 1937. By Kamil Krofta. Prague: Orbis, 1937, 51 p. Kč. 5.

A statement by Czechoslovakia's Foreign Minister.

NOTES D'UN GIROVAGUE. VOYAGES EN SUD EUROPE 1921–1922. By Joseph Olivier. Paris: Figuière, 1936, 218 p. Fr. 12.

Entertaining notes on travels in Italy and the Balkans.

POLITICS AND POLITICAL PARTIES IN ROUMANIA. London: International Reference Library Publishing Co., 1936, 500 p. 15/.

A reference book containing the Kingdom's constitution, a "who's who" of prominent Rumanian political figures, and useful information in regard to elections, domestic and foreign politics, the political parties and the press.

PRINCIPIUL NAȚIONALITĂȚILOR ÎN TRATATELE DE PACE DIN 1919–1920. By George Sofronie. Bucharest: Editura ziarului "Universul," 1936, 261 p.

The first part of this study deals with the application of the principle of national self-determination in the peace treaties and its limitation by other principles; the second rejects the Hungarian revisionist thesis, giving special attention to Article 19 of the League Covenant and to the Millerand letter.

RUMÄNIEN DIESSEITS UND JENSEITS DER KARPATHEN. By Wolfgang Höpker. Munich: Knorr und Hirth, 1936, 126 p. M. 3.90.

An interpretation of Rumanian problems with the evident intent of demonstrating the wisdom of Rumano-German collaboration.

YUGOSLAVIA. By E. J. Patterson. London: Arrowsmith, 1936, 136 p. 3/6.

A brief and superficial treatment of the country's history and postwar problems.

DIE VÖLKERRECHTLICHE ENTWICKLUNG BULGARIENS NACH DEM WELTKRIEGE. By Dr. Manol W. Lasaroff. Berlin: Dümmlers, 1937, 205 p. M. 8.10.

A useful guide to Bulgaria's postwar international relations.

ISTORIYA NA TURNOVSKATA KONSTITUTSIYA. By L. Vladikin. Sofia: Danov, 1936, 244 p.

Origins of the Tirnovo constitution which nominally governed Bulgaria until 1934.

GREECE'S ANATOLIAN VENTURE — AND AFTER. By A. A. Pallis. London: Methuen, 1937, 239 p. 10/6.

Few episodes in recent history have engendered so much passion among statesmen and their critics, the historians, as the disastrous Greek adventure in Anatolia, under-

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taken by Venizelos with Allied backing. The great merit of the present study is that the author has cleared away the thick crust of prejudice and legend that has come to envelop the postwar history of Greece, and given us a reliable account of the tortuous history of that epoch. The responsibility of Great Britain, France, Italy, Russia and the United States is weighed and apportioned with impartiality.

The British Commonwealth of Nations

THE KING AND THE IMPERIAL CROWN: THE POWER AND DUTIES OF HIS MAJESTY. By Arthur Berriedale Keith. New York: Longmans, 1936, 491 p. $7.00.

A thorough, up-to-date treatise on a delicate question, by a recognized authority on British constitutional law and history. The organization of the subject matter is topical rather than chronological.

THE EMPIRE IN THE WORLD. Edited by E. Thomas Cook. New York: Oxford University Press, 1937, 323 p. $3.50.

This thoughtful book is the product of three authorities. Sir Arthur Willert, who was long press chief at the Foreign Office, writes on the foreign policy of the Empire. H. V. Hodson, editor of the *Round Table*, discusses the political and constitutional problems of the British Commonwealth in the light of recent events and future tendencies. B. K. Long, South African journalist, examines the economics of the Empire.

THE FAITH OF AN ENGLISHMAN. By Sir Edward Grigg. New York: Macmillan, 1936, 405 p. $5.00.

A Conservative interpretation of British imperial and international policies since the war, with a nostalgic plea for a return to the old virtues which made the Empire great.

ARTHUR JAMES BALFOUR. By Blanche E. C. Dugdale. New York: Putnam, 1937, 2 v. $10.00.

This may be called the official life of the late British statesman, for it is written by one of his nieces on the basis of his private papers. The first volume goes down to 1906, when the cabinet which he headed was defeated. The second touches on the World War, Zionism, the Peace Conference, the Washington Conference, etc. This sympathetic but not overdone portrait adds little to our knowledge of the man or his period.

THE LIFE OF JOHN RUSHWORTH EARL JELLICOE. By Admiral Sir R. H. Bacon. Toronto: McClelland, 1936, 566 p. $7.50.

A full-length biography of the British wartime naval commander, with new information on his early career and a lengthy discussion of his tactics at Jutland.

THE MAN I KNEW. By Countess Haig. Toronto: Oxford University Press, 1936, 335 p. $5.00.

It is perhaps unfortunate that Haig's own account of the war was not published in its original form. Instead, we have the "official" biography of Duff Cooper. Lady Haig felt that this was not an adequate record of her husband's career. She has therefore composed her own account of it, based on Haig's letters and diaries, from which, however, she was unable to quote.

STANLEY BALDWIN: MAN OR MIRACLE? By Bechhofer Roberts. New York: Greenberg, 1937, 287 p. $3.50.

An entertainingly malicious exposé, not inexact in its facts, from which the reader will learn that Mr. Baldwin is a long way this side of being a miracle.

OSWALD MOSLEY: PORTRAIT OF A LEADER. By A. K. Chesterton. London: Action Press, 1937, 168 p. 3/6.

A pæan of praise for the chief of the British Fascist movement.

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THE FOUR GREEN FIELDS. By George O'Brien: Dublin: Talbot Press, 1936, 152 p. 3/6.

A plea for a better understanding between Ireland and Britain, by an Irish economist. Dr. O'Brien believes the Irish Nationalists prefer the reunion of Ireland to independence.

UNIQUE DICTATOR: A STUDY OF EAMON DE VALERA. By Desmond Ryan. London: Barker, 1936, 311 p. 10/6.

A friendly biography of De Valera and a defense of his long career in the service of the Irish Republican ideal. Though his style is occasionally over-picturesque, the author strives at historical accuracy.

CANADA. By André Siegfried. New York: Harcourt, 1937, 341 p. $3.00.

The primary purpose of this successor to Siegfried's classic work on "Le Canada, les Deux Races" is to examine her international position and the springs of her foreign policy. The author regrets the increasing "Americanization" of Canada, though he recognizes the vitality of such countervailing influences as British parliamentary institutions and the Catholicism of the French third of the population.

POVERTY AND POPULATION IN INDIA. By D. G. Karve. New York: Oxford University Press, 1936, 127 p. $1.50.

The problem is stated, analyzed with the aid of statistics, and remedies are proposed, by a Professor of Economics in the University of Bombay.

NEW ZEALAND FROM WITHIN. By Donald Cowie. London: Routledge, 1937, 300 p. 10/6.

A Britisher, eight years resident in New Zealand, gives a critical but not unfriendly description of the Dominion's culture, economic life, politics, etc.

The Near East

THE MAKING OF MODERN TURKEY: FROM BYZANTIUM TO ANGORA. By Sir Harry Luke. Toronto: Macmillan, 1936, 252 p. $3.50.

The author, Lieutenant-Governor of Malta, emphasizes that Atatürk's great service has been to restore Turkey to its surest foundation — the Anatolian peasant.

ELECTRIC POWER IN SYRIA AND PALESTINE. By Basim A. Faris. Beirut: American Press, 1936, 367 p. $2.00.

A factual monograph by a professor in the American University of Beirut.

THY NEIGHBOR. By Lord Melchett. New York: Kinsey, 1937, 288 p. $2.00.

Lord Melchett, one of the most active advocates of Zionism, believes that in the National Home in Palestine the Jews have found an answer to the age-old query: Where can we live as ordinary men?

JEWS AND ARABS IN PALESTINE. By Enzo Sereni and R. E. Ashery. New York: Hechalutz Press, 1936, 316 p. 95 cents.

Aspects of the Jewish case presented by a dozen writers.

PALESTINE PICTURE. By Douglas Duff. London: Hodder, 1936, 318 p. 12/6.

A former British police official in Palestine maintains that the British cannot hope to win the Arabs' love and should therefore either rule by fear or evacuate the country. He suggests that Palestine be separated into Jewish and Arab cantons.

THE ARAB WOMAN AND THE PALESTINE PROBLEM. By Matiel E. T. Mogannam. London: Joseph, 1937, 319 p. 12/6.

Most of this book is devoted to the Palestine problem. The author enumerates the Arab contentions and in general upholds them against the Zionists.

THE BRITISH BETRAYAL OF THE ASSYRIANS. By Yusuf Malek. Chicago: Assyrian National Federation and the Assyrian National League of America, 1936, 380 p. $3.00.

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A bitter attack on the manner in which the British Government has failed to protect the Christian Assyrians from their moslem neighbors. Numerous letters, official communications and other documents are quoted.

Africa

THE CONQUEST OF MOROCCO. By C. V. Usborne. London: Paul, 1936, 344 p. 18/.

A History of the French and Spanish conquest of Morocco. The author dwells *in extenso* on Lyautey's military operations against the tribes of the Atlas.

LE MAROC VU DE PARIS. By Philéas Fogg. Paris: Larose, 1937, 256 p. Fr. 15.

A readable summary of useful information.

DESERT ENCOUNTER. By Knud Holmboe. New York: Putnam, 1937, 266 p. $3.00.

In 1930 a young Dane converted to Islam set out in an automobile from Ceuta to traverse North Africa. He reached Derna in Cyrenaica, where he was arrested by the Italian authorities. The major portion of this book relates his experiences in Libya, then being "pacified" by Graziani. Holmboe's narrative sheds a lurid light on the ruthlessness of that process.

AN ETHIOPIAN DIARY. By J. W. S. Macfie. Liverpool: University Press of Liverpool, 1936, 132 p. 5/.

A simple but moving history of the British Ambulance Service on the northern front. Ample evidence — including photographs — is given of the havoc wrought by Italian aviators on the Red Cross stations. This is one of the most valuable sources on the war, for the author, unlike most of the correspondents, actually saw hostilities.

WAUGH IN ABYSSINIA. By Evelyn Waugh. New York: Longmans, 1937, 253 p. $2.50.

The author, a well-known novelist, went to Addis Ababa to report the first months of the war. He later returned in the autumn of 1936, the first non-Italian observer to be admitted to the country. Contemptuous of the old Ethiopia, he is very enthusiastic about Fascist efforts to Europeanize the country.

LE PASSANT D'ÉTHIOPIE. By Jérôme and Jean Tharaud. Paris: Plon, 1936, 256 p. Fr. 15.

Vivid impressions of the last days of independent Ethiopia.

INTENDENZA IN AFRICA ORIENTALE. By General Fidenzio Dall'Ora. Rome: Istituto Nazionale Fascista di Cultura, 1937, 324 p. L. 25.

The manner in which the Italian army organized its supply services described by the officer in command of this work. Many illustrations and sketch maps.

SERVIZIO STAMPA AFRICA ORIENTALE. By Pierre Bonardi. Florence: Beltrami, 1936, 256 p. L. 9.

A French (Corsican) journalist records episodes of war in northern Ethiopia.

LA MARCIA SU GONDAR. By Achille Starace. Milan: Mondadori, 1936, 164 p. L. 20.

An illustrated account by the Secretary General of the Fascist Party of the military expedition which he led into northwest Ethiopia. Several maps.

CON LE COLONNE CELERI DAL MAREB ALLO SCIOA. By Cesco Tomaselli. Milan: Mondadori, 1936, 264 p. L. 130.

A description of the northern campaign through the capture of Addis Ababa, by a journalist accompanying the Italian army.

CIELI D'ETIOPIA. By V. Beonio Brocchieri. Milan: Mondadori, 1936, 265 p. L. 25.

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A profusely illustrated account of the rôle played by aviation in the conquest of Ethiopia, by a captain in the Italian air force.

LE TRAVAIL FORCÉ AUX COLONIES. By Joseph Folliet. Paris: Éditions du Cerf, 1936, 315 p. Fr. 20.

A Catholic attack on compulsory labor in the colonies of Britain, France, Belgium, Holland and Italy.

KAMERUN. By Reinhold Schober. Berlin: Mittler, 1937, 181 p. M. 4.50.

A criticism of French and German colonial policy in the Cameroon, and a detailed program for the Germans to follow in case that colony should be returned to them.

The Far East

THE STRUGGLE FOR THE PACIFIC. By Gregory Bienstock. New York: Macmillan, 1937, 299 p. $4.00.

One of the more solid books on the Far East, the material of which might, however, have been better organized. The author is primarily interested in Pacific power politics, in particular as they affect Japan and Russia.

THE 20TH CENTURY IN THE FAR EAST. By P. H. B. Kent. New York: Longmans, 1937, 390 p. $6.25.

A dispassionate history of the Far East since 1901, by a British lawyer long resident in North China.

ASIA ANSWERS. By Ralph Townsend. New York: Putnam, 1936, 272 p. $3.00.

An American journalist and former consular officer seeks to disabuse the American public of some of its notions about the Orient (particularly Japan) and its threat to our economic and political security.

THE FAR EAST IN WORLD POLITICS. By G. F. Hudson. New York: Oxford University Press, 1937, 276 p. $3.00.

A good introduction to the subject as viewed through British eyes.

ESTREMO ORIENTE. By Carlo Pestalozza. Milan: Istituto per gli Studi di Politica Internazionale, 1936, 437 p. L. 18.

This is the first of the "Manuali di Politica Internazionale" to be published by the Istituto per gli Studi di Politica Internazionale of Milan. It contains a brief synthesis of recent Far Eastern history with informative appendices and maps.

ASIA'S GOOD NEIGHBOR. By Walter Karig. Indianapolis: Bobbs-Merrill, 1937, 308 p. $2.50.

A journalist's account of America's relations with the Orient.

YAPONIYA I MEZHDUNARODNOYE PRAVO. By E. A. Korovin. Moscow: Sotsekgiz, 1936, 247 p. R. 3.20.

A Professor of International Law at the University of Moscow draws up an indictment of Japan's conduct of her international relations over the last forty years. The book is an over-condensed and one-sided survey of Japanese foreign policy, rather than a contribution to the theory or practice of international law.

JAPAN'S FEET OF CLAY. By Freda Utley. New York: Norton, 1937, 393 p. $3.75.

This analyzes in the light of the available facts the weakness of Japan's economic and social structure, and it predicts collapse unless her ambitions are brought into better balance with her means. The author might have emphasized the country's poor resources rather than the wickedness of the capitalists and militarists as the cause of some of her misfortunes. This book has been banned in Japan.

THE MARCH OF JAPAN. By Edgar Lajtha. New York: Stokes, 1937, 288 p. $3.00.

A Hungarian journalist does some press-agenting for the land of the rising sun.

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LES CONSÉQUENCES DU DÉVELOPPEMENT ÉCONOMIQUE DU JAPON POUR L'EMPIRE FRANÇAIS. Paris: Hartmann, 1937, 183 p. Fr. 15.

A study-group report, containing numerous tables of statistics, prepared for the Centre d'Études de Politique Étrangère.

LAND UTILIZATION AND RURAL ECONOMY IN KOREA. By Hoon K. Lee. Chicago: University of Chicago Press, 1936, 302 p. $3.00.

A scholarly work, richly supplied with statistical and diagrammatic data, by a Professor of Agricultural Economics at the Union Christian College of Korea and issued under the auspices of the Institute of Pacific Relations.

THE DEVELOPMENT OF CHINA. By Kenneth Scott Latourette. Boston: Houghton Mifflin, 1937, 333 p. $3.00.

A thoroughly revised edition of a standard work.

A HISTORY OF THE PRESS AND PUBLIC OPINION IN CHINA. By Lin Yutang. Chicago: University of Chicago Press, 1936, 179 p. $2.00.

Dr. Lin, well-known interpreter of China to the Occident, here describes the development of Chinese journalism from the eighth century to the present day.

RECENT FINANCIAL DEVELOPMENTS IN CHINA (1934–1936). By P. T. Chen. Nanking: Chinese Year Book Publishing Company, 1936, 230 p.

Copious statistics interpreted by an official in the Chinese Ministry of Finance.

THE SHANGHAI PROBLEM. By William C. Johnstone. Stanford: Stanford University Press, 1937, 326 p. $3.00.

The history and present structure of Shanghai's complicated government.

LE DÉVELOPPEMENT ÉCONOMIQUE DE L'INDOCHINE FRANÇAISE. By Auguste Grandel. Saïgon: Ardin, 1936, 238 p. Fr. 40.

A useful compendium of information and statistics.

THE ECONOMIC POSITION OF THE CHINESE IN THE NETHERLANDS INDIES. By W. J. Cator. Chicago: University of Chicago Press, 1936, 264 p. $3.00.

A study concerning the million and a half Chinese in the Netherland's East Indian empire, prepared for the Institute of Pacific Relations.

Latin America

THE EJIDO: MEXICO'S WAY OUT. By Eyler N. Simpson. Chapel Hill: University of North Carolina Press, 1937, 849 p. $5.00.

The history of land reform in Mexico, with an exhaustive analysis of present agrarian policies. Appendices of statistics, texts of land laws and a bibliography.

MEXICO AROUND ME. By Max Miller. New York: Reynal, 1937, 305 p. $2.50.

One of the best of the descriptive books about our southern neighbors.

GUATEMALA. By Erna Fergusson. New York: Knopf, 1937, 320 p. $3.00.

In recent years Americans have been taking more interest in Guatemala. This delightful book will increase that interest and add greatly to our knowledge of all aspects of Guatemalan life.

THE UNITED STATES AND THE REPUBLIC OF PANAMA. By William D. McCain. Durham: Duke University Press, 1937, 278 p. $3.00.

A scholarly history of the relations of the United States with one of its clients.

BARBADOS: THE ENCHANTING ISLE. By Raymond Savage. Philadelphia: Lippincott, 1937, 119 p. $1.25.

An illustrated, up-to-date description of the island and its people.

WHITE ELEPHANTS IN THE CARIBBEAN. By Henry Albert Phillips. New York: McBride, 1936, 300 p. $2.75.

Vivid sketches of the West Indian islands, both large and small.

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ALIENS

WORLD Statistics of Aliens, a comparative study of census returns 1910–1920–1930. Geneva 1936. vii, 251 p. 24 cm. (Studies and Reports, Series O, No. 6.) $2.75.

ARMAMENT

ADMIRALTY. Statement of the First Lord of the Admiralty Explanatory of the Navy Estimates 1937. London, 1937. 22 p. 24½ cm. (Cmd. 5385.) 4d.

DEFENCE LOANS. Memorandum on the Proposed Resolution. London, 1937. 4 p. 24½ cm. (Cmd. 5368.) 1d.

FIRST REPORT from the Select Committee on Estimates, together with an Appendix, Contracts in Connection with the Defence Programme. London, 1937. 12 p. 24½ cm. (House of Commons Paper No. 86.) 2d.

FLEETS. The British Commonwealth of Nations and Foreign Countries. Particulars of the vessels of the Fleets of the British Commonwealth of Nations and of France, on the 1st day of February, 1937, of the United States of America, on the 15th December, 1936, of Japan and Germany, on 1st October, 1936, of Italy, on 31st December, 1936, and of the Soviet Union, on the 1st February, 1935. London, 1937. 123 p. 24½ cm. (Cmd. 5371.) 2s. 0d.

MEMORANDUM by the Secretary of State for Air to Accompany Air Estimates 1937. London, 1937. 15 p. 24½cm. (Cmd. 5388.) 3d. (At head of title: Air Ministry.)

MEMORANDUM of the Secretary of State for War relating to the Army Estimates 1937. London, 1937. 12 p. 24½ cm. (Cmd. 5381.) 2d. (At head of title: War Office.)

MILITARY Establishment Appropriation Bill for 1938. Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 75th Congress, 1st session. Washington, 1937. ii, 846 p. 23 cm.

RECORDS of the Conference for the Reduction and Limitation of Armaments. Series D, Volume 2. Minutes of the NAVAL COMMISSION, February 27th–July 20th, 1932. Geneva, 1937. viii, 149 p. 33 cm. (League of Nations, 1937. IX.1.)

STATEMENT Relating to Defence Expenditure. London, 1937. 11 p. 24½ cm. (Cmd. 5374.) 2d.

COMMERCIAL STATISTICS

REPORT on Economic and Commercial Conditions in the United States of America by H. O. Chalkley, December, 1936. London, 1937. vii, 205 p. 24½ cm. (Department of Overseas Trade, No. 663.) 3s.

FOREIGN COMMERCE Yearbook 1936. Washington, 1937. vi, 404 p. 23½ cm. (U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce.) $1.25.

CALENDAR REFORM

ORGANISATION for Communications and Transit. Reform of the Calendar. Draft Convention communicated to the Council of the League of Nations by the Representative of Chile on January 25th, 1937. Geneva, 1937. 3 p. 33 cm. (League of Nations, C.139.M.88.1937.VIII.1.)

CUSTOMS FORMALITIES

INTERNATIONAL Convention Relating to the Simplification of Customs Formalities, Signed at Geneva, November 3rd, 1923. Application of Articles 10 and 11 of this Convention. Seventh Series. Geneva, 1937. 8 p. 33 cm. (League of Nations, C.186.M.132.1937.II.B.2.)

SUPPRESSION of Customs Frauds. Agreement between the United States of America and France. Effected by Exchange of Notes signed December 10 and 12, 1936. Washington, 1937. 5 p. 23 cm. (Executive Agreement Series, No. 99.) 5 cents.

CONFERENCE FOR MAINTENANCE OF PEACE

THE ACCOMPLISHMENTS of the Inter-American Conference for the Maintenance of Peace. Address by the Honorable Sumner Welles, Assistant Secretary of State before the Peoples Man-

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date to Governments to End War, New York City, February 4, 1937. Washington, 1937. 14 p. 22 cm. (The Department of State, Conference Series, No. 26.) 5 cents.

INTER-AMERICAN Conference for the Maintenance of Peace, Buenos Aires, December 1–23, 1936. Report on the Proceedings of the Conference submitted to the Governing Board of the Pan American Union by the Director General. Washington, Pan American Union, 1937. 2 p.l.,86[3]p. 23 cm. (Congress and Conference Series, No. 22.)

THE RESULTS and Significance of the Buenos Aires Conference. Address by the Honorable Cordell Hull, Secretary of State, before the Council on Foreign Relations, New York, February 25, 1937. Washington, 1937. 12 p. 22 cm. (The Department of State, Conference Series, No. 27.) 5 cents.

COURT OF INTERNATIONAL JUSTICE, PERMANENT

The LOSINGER & CO. CASE, orders of June 27th and December 14th, 1936. Leyden, 1937. 453 p. 24½ cm. (Series C (Pleadings, Oral Statements and Documents), No. 78.)

ELABORATION of the Rules of Court of March 11, 1936. Leyden, 1936. 1092 p. 32 x 24½ cm. (Series D (Acts and Documents Concerning the Organization of the Court) Third Addendum to No. 2.)

CONDITIONS of Voting Requests for Advisory Opinions from the Permanent Court of International Justice. Observations Received from Governments. Switzerland. Geneva, 1937. 1 p. 33 cm. (League of Nations, C543(b).M.351(b).1936.V.9(b).) Mimeographed.

DEPRESSION

The SOCIAL CONSEQUENCES of the Economic Depression, by Wladimir Woytinsky. Geneva, 1936. xi, 364 p. 24 cm. (Studies and Reports, Series C, No. 21.) $2.00.

GERMAN POLICY

ON NATIONAL SOCIALISM and World Relations. Speech delivered in the German Reichstag on January 30th, 1937, by Adolf Hitler, Führer and Chancellor. Berlin M. Müller, 1937. 46 p. 21 cm.

HAITI

HAITI. Annual Report of the Fiscal Representative or the fiscal year October 1935–September 1936. Submitted to the Secretary of State for Finance, and the Secretary of State for Commerce of the Republic of Haiti, and the Secretary of State of the United States of America. Port-au-Prince, Haiti, Imprimerie de l'Etat, [1937] v, 189 p. incl. tables. 23½ cm.

INTERNATIONAL LABOR CONFERENCE

INTERNATIONAL Labour Conference. Twentieth Session, Geneva, 1936. Record of Proceedings. Geneva, 1936. xxxiii, 797 p. 31½ cm.

INTERNATIONAL Labour Conference. Draft Conventions and Recommendations adopted by the Conference at its Twenty-First Session 6 October–24 October, 1936. London, 1937. 49, 49 p. 24½ cm. (Cmd. 5392.) 1s. 6d. (In French and English.)

PARTIAL REVISION of the Minimum Age (Industry) Convention, 1919 (No. 5). International Labour Conference, Twenty-Third Session, Geneva, 1937. Sixth Item on the Agenda. Report VI. Geneva, 1937. 36 p. 24 cm.

PARTIAL REVISION of the Minimum Age (Non-Industrial Employment) Convention, 1932 (No. 33). International Labour Conference, Twenty-Third Session, Geneva, 1937. Seventh Item on the Agenda. Report VII. Geneva, 1937. 38 p. 24 cm.

MUNITIONS CONTROL

FIRST ANNUAL report of National Munitions Control Board, year ending November 30, 1936. [Washington, 1937] [1], 82 p. il. (House doc. 10, 75th Cong., 1st sess.) 15 c.

NARCOTICS

CONVENTION for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs of July 13th, 1931. Estimated World Requirements of Dangerous Drugs in 1937. Statement issued by the Supervisory Body under Article 5. Geneva, 1936. 61 p., chart. 33 cm. (League of Nations, C.547.M.353.1936.XI.23.)

——— Sixth Supplement to the Statement issued by the Supervisory Body under Article 5. Geneva, 1937. 20 p. incl. tables. 33 cm. (League of Nations, C.429(f).M.220(f).1935.XI.1937.XI.1.)

——— Seventh Supplement to the Statement issued by the Supervisory Body under Article 5. Geneva, 1937. 7 p. incl. tables. 33 cm. (League of Nations, C.429(g).M.220(g).1935.XI.1937.XI.2.)

EGYPTIAN Government. Central Narcotics Intelligence Bureau. Annual Report for the Year 1935. Cairo, Govt. Press, 1936. vii, 164 p., incl. tables. 27 cm. P.T. 10.

AGREEMENT for the Control of Opium Smoking in the Far East supplementary to the Geneva

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Agreement of February 11, 1925, Bangkok, November 27, 1931. London, 1937. 6 p. 24½ cm. (Treaty Series No. 13 (1937) Cmd. 5401.) 1d.

"NEUTRALITY"

AMERICAN NEUTRALITY Policy. Hearings before the Committee on Foreign Affairs, House of Representatives, 75th Congress, 1st session, on H. J. Res. 147, to maintain the neutrality of the United States in the event of war or threat of war between or among foreign nations and H. J. Res. 242, to maintain the neutrality of the United States in the event of war between or among foreign nations, and for other purposes. February 16–19, and 23, 1937. Washington, 1937. iii, 177 p. 23 cm.

NEUTRALITY. Hearing before the Committee on Foreign Relations, United States Senate, 75th Congress, 1st session, relative to proposed legislation on neutrality. February 13, 1937. Washington, 1937. ii, 25 p. 23 cm.

NEUTRALITY. Comparative Print. S. J. Res. 51, a Joint Resolution to amend the joint resolution . . . approved August 31, 1935, as amended. As passed by the Senate and the amendment passed by the House of Representatives. [Washington, 1937] 10 p. 28 cm. (Senate Doc. no. 40, 75th Cong., 1st sess.)

CONFERENCE Report (to accompany S. J. Res. 51). [Washington, 1937] 9 p. 23 cm. (House Rept. No. 723, 75th Cong., 1st sess.) (Conference Committee Print.)

JOINT RESOLUTION to amend the joint resolution . . . approved August 31, 1935, as amended; approved May 1, 1937, 6.30 p.m. (Public Resolution — No. 27 — 75th Congress, Chap. 146 — 1st Session. S. J. Res. 51.)

NEUTRALITY. S. J. Res. 3, joint resolution to prohibit exportation of arms, ammunition, and implements of war from United States to Spain. Approved January 8, 1937. [Washington, 1937] 1 p. (Public resolution 1.)

NEUTRALITY. Consideration of Senate joint resolution 3, neutrality bill, report to accompany H. Res. 44 (relative to S. J. Res. 3, to prohibit exportation of arms, ammunition, and implements of war from United States to Spain); submitted by Mr. O'Connor of New York. January 6, 1937. 1 p. (House rept. 3, 75th Cong. 1st sess.) 5 cents.

TREATY PROVISIONS. Defining Neutral Rights and Duties 1778–1936. Presented by Mr. Nye. (Edited for the Research in International Law under the auspices of the Faculty of the Harvard Law School by Prof. Francis Deák and Prof. Philip C. Jessup, Columbia University.) Washington, 1937. x, 150 p. 23 cm. (Senate Doc. No. 24, 75th Cong., 1st sess.)

POLITICAL SURVEY

CHRONIQUE Politique 1936. Political Survey. Geneva, 1937. 136 [2] p. 20 cm. (At head of title: League of Nations Library.) 65 cents.

Cumulative survey of information published during 1936 in the *Fortnightly Survey of Political Events* giving a review of foreign politics and of certain internal political events (elections, changes of government, etc.) likely to be of special interest to the League of Nations Secretariat.

THE LEAGUE from Year to Year (1936). Geneva [1937] 256 p. 21½ cm.

PUBLIC FINANCE

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The NORTH CHINA Smuggling Situation, A Documentary Review, by P. T. Chen. Reprinted from The Chinese Year Book, 1936–37, Second Issue. Chinese Year Book Publishing Co. [1936] vi, p. [891] 945. incl. tables. 19 cm.

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